

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

NU SKIN ASIA PACIFIC, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Jurisdiction of Incorporation or Organization)	5122 (Primary Standard Industrial Classification Code Number)	87-0565309 (I.R.S. Employer Identification No.)
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75 WEST CENTER STREET
PROVO, UTAH 84601
(801) 345-6100
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

STEVEN J. LUND, PRESIDENT
NU SKIN ASIA PACIFIC, INC.
75 WEST CENTER STREET
PROVO, UTAH 84601
(801) 345-6100
(Name, and address, including zip code, and telephone number,
including area code, of agent for service)

COPIES TO:

NOLAN S. TAYLOR, ESQ. LeBoeuf, Lamb, Greene & MacRae, L.L.P. 1000 Kearns Building 136 South Main Street Salt Lake City, Utah 84101-1685 (801) 320-6700	M. TRUMAN HUNT, ESQ. Nu Skin Asia Pacific, Inc. 75 West Center Street Provo, Utah 84601 (801) 345-6100	WILLIAM H. HINMAN, JR., ESQ. Shearman & Sterling 555 California Street, Suite 2000 San Francisco, CA 94104 (415) 616-1100
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)(2)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(3)	AMOUNT OF REGISTRATION FEE(3)
Class A Common Stock, \$.001 par value.....	8,050,000	\$26.8125	\$215,840,625	\$65,407

(1) All 8,050,000 shares are being offered by certain stockholders of the Company, including 840,000 shares and 210,000 shares which the U.S. Underwriters and the International Managers, respectively, have the option

to purchase from certain stockholders to cover over-allotments, if any.

- (2) The amount of shares registered also includes any shares initially offered or sold outside the United States that are thereafter sold or resold in the United States. Offers and sales of shares outside the United States are being made pursuant to the exemption afforded by Rule 901 of Regulation S and this Registration Statement shall not be deemed effective with respect to such offers and sales.
- (3) Pursuant to Rule 457(c), the proposed maximum offering price per share and registration fee are based upon the average of the high and low prices of the Registrant's Class A Common Stock on June 3, 1997, as reported on The New York Stock Exchange, Inc. consolidated transaction system.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

P_R_O_S_P_E_C_T_U_S

7,000,000 SHARES

[NU SKIN LOGO]

CLASS A COMMON STOCK

All of the shares of Class A Common Stock, par value \$.001 per share (the "Class A Common Stock"), of Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Company"), offered hereby are being offered by certain stockholders of the Company (the "Selling Stockholders"). See "Principal and Selling Stockholders." Of the 7,000,000 shares of Class A Common Stock offered hereby, 5,600,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters (the "U.S. Offering"), and 1,400,000 shares are being offered initially in a concurrent offering outside the United States and Canada by the International Managers (the "International Offering," together with the U.S. Offering, the "Offerings"). See "Underwriting."

Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock (the "Class B Common Stock," together with the Class A Common Stock, the "Common Stock") of the Company entitles its holder to ten votes. All of the shares of Class B Common Stock are held by the Selling Stockholders and certain of their affiliates. After consummation of the Offerings, the Selling Stockholders and such affiliates will beneficially own shares of Common Stock having approximately 97.2% of the combined voting power of the outstanding shares of Common Stock (approximately 97.0% if the underwriters' over-allotment options are exercised in full). Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder of Class B Common Stock and in certain other instances. See "Description of Capital Stock--Common Stock--Conversion."

The Class A Common Stock is traded on the New York Stock Exchange under the symbol "NUS." On June 3, 1997, the last reported sale price of the Class A Common Stock was \$26 3/4 per share.

SEE "RISK FACTORS," BEGINNING ON PAGE 11, FOR A DISCUSSION OF CERTAIN FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED HEREBY.

 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO SELLING STOCKHOLDERS(2)
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

- (1) The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses of the Offerings, which are payable by the Selling Stockholders and estimated to be \$600,000.
- (3) Certain of the Selling Stockholders have granted the U.S. Underwriters and the International Managers options, exercisable within 30 days after the date hereof, to purchase up to 840,000 and 210,000 additional shares of Class A Common Stock, respectively, solely to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Selling Stockholders will be \$, \$ and \$, respectively. See "Underwriting."

 The shares of Class A Common Stock offered hereby are offered by the Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of certificates for the shares of Class A Common Stock will be made in New York, New York on or about , 1997.

MERRILL LYNCH & CO.

MORGAN STANLEY DEAN WITTER

NOMURA SECURITIES INTERNATIONAL, INC.

PAINWEBBER INCORPORATED

THE DATE OF THIS PROSPECTUS IS JUNE , 1997.

[COMPANY LOGO AND THE WORDS "SCIENCE," "NATURE" AND "BEST OF SCIENCE & NATURE."]

Certain persons participating in these offerings may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A Common Stock. Such transactions may include stabilizing and the purchase of shares of Class A Common Stock to cover syndicate short positions. For a description of these activities, see "Underwriting."

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND THE FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE NOTED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTIONS. AS USED HEREIN, "NU SKIN ASIA PACIFIC" OR THE "COMPANY" MEANS NU SKIN ASIA PACIFIC, INC. AND THE SUBSIDIARIES. THE "SUBSIDIARIES" MEANS NU SKIN HONG KONG, INC. ("NU SKIN HONG KONG"), NU SKIN JAPAN COMPANY, LIMITED ("NU SKIN JAPAN"), NU SKIN KOREA, INC. ("NU SKIN KOREA"), NU SKIN TAIWAN, INC. ("NU SKIN TAIWAN") AND NU SKIN PERSONAL CARE (THAILAND) LIMITED ("NU SKIN THAILAND"), COLLECTIVELY. UNTIL SEPTEMBER 30, 1994, THE COMPANY'S FISCAL YEAR ENDED ON SEPTEMBER 30 OF EACH YEAR. AS OF OCTOBER 1, 1994, THE COMPANY CHANGED ITS FISCAL YEAR END TO DECEMBER 31 OF EACH YEAR, BEGINNING WITH THE FISCAL YEAR ENDED DECEMBER 31, 1995.

THE COMPANY

Nu Skin Asia Pacific is a rapidly growing network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("Nu Skin International" or "NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations, and in Indonesia, Malaysia, the People's Republic of China ("PRC"), the Philippines, Singapore and Vietnam, where operations have not commenced.

The Company believes it is one of the fastest growing network marketing companies in Asia. Revenue increased 69.9% to \$211.0 million for the three months ended March 31, 1997 from \$124.2 million for the same period in 1996. Net income increased 38.5% to \$20.5 million for the three months ended March 31, 1997 from \$14.8 million for the same period in 1996. Revenue increased 89.2% to \$678.6 million for the year ended December 31, 1996 from \$358.6 million in 1995. Operating expenses have increased with the growth of the Company's revenue. Net income increased 103.2% to \$81.7 million for the year ended December 31, 1996 from \$40.2 million in 1995. The Company's network of independent distributors has grown since the Company's inception in 1991 to more than 400,000 active distributors as of March 31, 1997. See "Risk Factors--Managing Growth."

A great deal of the Company's success to date is the result of the growth of its Japanese business, which can be attributed to an increasing awareness of the Nu Skin and IDN brands. Significant revenue was recognized from the outset of the Company's operations in Japan in 1993 due to the immediate attention given to the market by leading NSI distributors from around the world. Japan has continued to post strong financial results for the Company, with revenue increasing by approximately 64% in U.S. dollars and 90% in local currency for 1996 compared to 1995 and by approximately 55% in U.S. dollars and 76% in local currency for the three months ended March 31, 1997 compared to the same period in 1996. Given the size of the direct selling market in Japan and the growing Japanese demand for the Company's premium quality and innovative products, management believes that there is still significant opportunity for revenue growth in this market.

The Company's product philosophy is to combine the best of science and nature in developing premium quality, innovative personal care and nutritional products which are specifically designed for the network marketing distribution channel. The Company offers products in two distinct categories: personal care products, marketed under the trademark "Nu Skin," and nutritional products, marketed under the trademark "Interior Design Nutritionals" ("IDN"). The Nu Skin personal care product lines include facial care, body care, hair care and color cosmetics, as well as specialty products such as sun protection, oral hygiene and fragrances. The IDN product lines include nutritional supplements, nutritious and healthy snacks, sports and fitness nutritional products and botanical supplements.

In Japan, Taiwan and Hong Kong, the Company currently offers most of the Nu Skin personal care products and approximately one-third of the Interior Design Nutritionals products, including LIFEPAK, the

core IDN nutritional supplement. In South Korea and Thailand, the Company currently offers approximately one-half and one-third, respectively, of the Nu Skin personal care products, including most of the Nu Skin core facial and hair care products, and none of the nutritional products. The Company believes that it can significantly grow its business and attract new customers by expanding its product offerings in each of its markets to include more of the existing Nu Skin personal care and IDN products. In addition to expanding its product offerings with existing Nu Skin personal care and IDN products, the Company intends to introduce new products tailored to specific markets.

The distribution of products through the network marketing and other direct selling channels has grown significantly in recent years. The World Federation of Direct Selling Associations ("WFDSA") reports that, since 1990, worldwide direct distribution of goods and services to consumers has increased 76%, resulting in the sale of nearly \$80 billion of goods and services in 1996. According to the WFDSA, \$35 billion of goods and services were sold by its members in 1996 through direct selling channels in the markets in which the Company currently operates, which represents 44% of the global volume of direct sales by its members.

OPERATING STRENGTHS AND GROWTH STRATEGY

The Company believes that its success to date is due to its reputation and commitment to provide a wide range of premium quality, innovative personal care and nutritional products and an appealing global business opportunity for persons interested in establishing a direct sales business. Specifically, the Company's operating strengths include (i) its premium product offerings, (ii) a unique global distributor compensation plan (the "Global Compensation Plan"), which compensates distributors for product sales in downline distribution networks in any country in which NSI and its affiliates operate, (iii) a comparatively high level of distributor incentives paid to independent distributors under the Global Compensation Plan, (iv) a systematic market development program, (v) individual distributor attention and other distributor support programs and (vi) an experienced management team at both the Company and the Subsidiaries. See "Business--Operating Strengths." Consideration of the Company's operating strengths must be tempered by consideration of various risks which impact or may impact the Company and its operations. See "Risk Factors."

The Company's primary objective is to capitalize on its operating strengths to become a leading distributor of consumer products in each of its markets. The Company intends to pursue this strategy by (i) introducing new products, (ii) opening new markets, (iii) attracting new distributors and enhancing distributor productivity and (iv) increasing brand awareness and loyalty. See "Business--Growth Strategy." Consideration of the Company's growth strategy should be made in connection with a consideration of the risks associated with such growth strategy. See "Risk Factors."

RELATIONSHIP WITH NU SKIN INTERNATIONAL

NSI, founded in 1984 and based in Provo, Utah, is engaged in selling personal care and nutritional products and, together with its affiliates, comprises one of the largest network marketing organizations in the world. NSI has provided, and will continue to provide, a high level of support services to the Company, including product development, distributor support services, marketing and other managerial support services. Management believes that the Company's relationship with NSI has allowed the Company to increase revenue and net income at rates that otherwise may not have been possible. Since distributor agreements are entered into between NSI and distributors, all of the distributors who generate revenue for the Company are distributors of NSI. The Company primarily relies on NSI to enforce distributor policies and procedures. NSI's distributor network is licensed by NSI to the Subsidiaries. See "Risk Factors-- Reliance Upon Independent Distributors of NSI" and "--Relationship with and Reliance on NSI; Potential Conflicts of Interest."

RECENT EVENTS

THE REORGANIZATION. The Company was incorporated on September 4, 1996. On November 20, 1996, the stockholders of Nu Skin Japan, Nu Skin Taiwan, Nu Skin Hong Kong, Nu Skin Korea and Nu Skin Thailand contributed their shares of capital stock to the capital of the Company in a transaction (the "Reorganization") intended to qualify under Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"), in exchange for shares of the Company's Class B Common Stock, par value \$.001 per share (the "Class B Common Stock"). Prior to the Reorganization, all of the outstanding shares of the Subsidiaries were held by these stockholders. As a result of the Reorganization, each of the Subsidiaries became a wholly-owned subsidiary of the Company.

THE INITIAL PUBLIC OFFERINGS. In November 1996, the Company and certain stockholders sold a total of 10,465,000 shares of Class A Common Stock in underwritten public offerings (the "Initial Underwritten Offerings"). The Company issued and sold 4,750,000 shares of Class A Common Stock as part of this transaction. In December 1996, in non-underwritten offerings (the "Rule 415 Offerings," and, together with the Initial Underwritten Offerings, the "Initial Public Offerings") pursuant to Rule 415 of the Securities Act of 1933, as amended (the "1933 Act"): (i) NSI offered to qualifying NSI distributors options (the "Distributor Options") to purchase 1,605,000 shares of Class A Common Stock; (ii) the Company offered 1,605,000 shares of Class A Common Stock to be issued upon the exercise of the Distributor Options; (iii) the Company offered to its employees 150,959 shares of Class A Common Stock in connection with the awarding of employee stock bonus awards; and (iv) NSI and certain of its affiliates offered 1,250,000 shares of Class A Common Stock to their employees as stock bonus awards. The Distributor Options are expected to become exercisable in January 1998 and will remain exercisable until December 31, 2001.

THE OFFERINGS

Class A Common Stock offered by the
Selling Stockholders(1):

U.S. Offering.....	5,600,000 shares
International Offering.....	1,400,000 shares
Total.....	7,000,000 shares

Common Stock to be outstanding after the
Offerings(1):

Class A Common Stock(2)(3)(4).....	18,723,011 shares
Class B Common Stock(2)(4).....	64,696,675 shares
Total Common Stock(3).....	83,419,686 shares

New York Stock Exchange symbol..... "NUS"

Use of proceeds..... The Company will not receive any of the proceeds from the Offerings.

Voting rights..... The Class A Common Stock and Class B Common Stock vote as a single class on all matters, except as otherwise required by law, with each share of Class A Common Stock entitling its holder to one vote and each share of Class B Common Stock entitling its holder to ten votes. In all other respects the holders of Class A Common Stock and the holders of Class B Common Stock have equal rights. All of the shares of Class B Common Stock are owned by the Selling Stockholders and certain of their affiliates. After the consummation of the Offerings, the Selling Stockholders and certain of their affiliates will beneficially own shares of Common Stock having approximately 97.2% of the combined voting power of the outstanding shares of Common Stock (approximately 97.0% if the underwriters' over-allotment options are exercised in full).

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- (1) Assumes no exercise of the underwriters' over-allotment options aggregating 1,050,000 shares of Class A Common Stock, which have been granted by certain of the Selling Stockholders.
- (2) Gives effect to the conversion by the Selling Stockholders prior to the Offerings of 7,000,000 shares of Class B Common Stock into shares of Class A Common Stock for issuance and sale in the Offerings.
- (3) Does not include: (i) 4,000,000 shares of Class A Common Stock reserved for issuance pursuant to the Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"), including 150,959 shares of Class A Common Stock issuable pursuant to employee stock bonus awards granted by the Company to certain employees pursuant to this Plan; (ii) 1,605,000 shares of Class A Common Stock that are held as treasury shares by the Company and are reserved for issuance upon the exercise of the Distributor Options granted to NSI and offered to NSI distributors in connection with the Rule 415 Offerings; and (iii) 250,825 shares of Class A Common Stock subject to a stock option which was granted to an executive officer of the Company. See "Management--1996 Stock Incentive Plan," "Certain Relationships and Related Transactions" and "Shares Eligible for Future Sale."
- (4) All shares of Class B Common Stock are currently held by the Selling Stockholders and certain of their affiliates, and each such share is convertible at any time into one share of Class A Common

Stock and converts automatically into one share of Class A Common Stock (i) upon a transfer to a person other than a Selling Stockholder or certain other stockholders of the Company, and (ii) if the number of shares of Class B Common Stock becomes less than 10% of the aggregate number of shares of Common Stock outstanding. See "Description of Capital Stock--Common Stock--Conversion."

FORWARD-LOOKING STATEMENTS

Statements made herein under the captions "--Operating Strengths and Growth Strategy," "Risk Factors--Seasonality and Cyclicity; Variations in Operating Results," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "--Seasonality and Cyclicity," "--Outlook," "Business--Operating Strengths," "--Growth Strategy," "--Country Profiles," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). In addition, when used in this Prospectus the words or phrases "will likely result," "expects," "intends," "will continue," "is anticipated," "estimates," "projects," "management believes," "the Company believes" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Reform Act. Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to the products and the future economic performance and financial results of the Company. The forward-looking statements and associated risks set forth herein relate to the: (i) expansion of the Company's market share in its current markets; (ii) Company's entrance into new markets; (iii) development of new products and new product lines tailored to appeal to the particular needs of consumers in specific markets; (iv) stimulation of product sales by introducing new products; (v) opening of new offices, walk-in distribution centers and distributor support centers in certain markets; (vi) promotion of distributor growth, retention and leadership through local initiatives; (vii) upgrading of the Company's technological resources to support distributors; (viii) obtaining of regulatory approvals for certain products, including LIFEPAK; (ix) stimulation of product purchases by inactive distributors through direct mail campaigns; (x) retention of the Company's earnings for use in the operation and expansion of the Company's business; and (xi) development of brand awareness and loyalty. All forward-looking statements are subject to certain risks and uncertainties, including those discussed under the caption "Risk Factors" herein, that could cause actual results to differ materially from historical results and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise readers that the important factors listed under the caption "Risk Factors" could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any views or statements expressed with respect to future periods. Important factors and risks that might cause such differences include, but are not limited to, factors related to the Company's reliance upon independent distributors of NSI, the potential effects of adverse publicity, the potential negative impact of distributor actions, currency risks, seasonal and cyclical trends, variations in operating results, government regulation of direct selling activities, government regulation of products and marketing, other regulatory issues, the Company's reliance on certain distributors, the potential divergence of interests between distributors and the Company, the Company's entering new markets, managing the Company's growth, the possible adverse effects on the Company of a change in the status of Hong Kong, the Company's relationship with and reliance on NSI, potential conflicts of interest between the Company and NSI, control of the Company by the Selling Stockholders and certain of their affiliates, the anti-takeover effects of dual classes of common stock, certain charter, contractual and statutory provisions, the adverse impact on the Company's operating results of the Distributor Option program, product returns, regulatory and taxation risks, the Company's reliance on and the concentration of outside manufacturers, the Company's reliance on the operations of and dividends and distributions from the Subsidiaries, taxation and transfer pricing, the potential increase in distributor compensation expense, product liability issues, market conditions and competition, the Company's operations outside the U.S., import restrictions, duties on and regulation of consumer goods, and the absence of dividends. In light of

the significant uncertainties inherent in forward-looking statements, the inclusion of any such statement should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. See "Risk Factors."

NU SKIN-REGISTERED TRADEMARK-, INTERIOR DESIGN NUTRITIONALS-TM-, IDN-REGISTERED TRADEMARK-, A LOGO CONSISTING OF AN IMAGE OF A GOLD FOUNTAIN WITH THE WORDS "NU SKIN" BELOW IT, AND A LOGO CONSISTING OF THE STYLIZED LETTERS "IDN" IN BLACK AND RED ARE TRADEMARKS OF NSI WHICH ARE LICENSED TO THE COMPANY. THE ITALICIZED PRODUCT NAMES USED IN THIS PROSPECTUS ARE PRODUCT NAMES AND ALSO, IN CERTAIN CASES, TRADEMARKS AND ARE THE PROPERTY OF NSI. ALL OTHER TRADENAMES AND TRADEMARKS APPEARING IN THIS PROSPECTUS ARE THE PROPERTY OF THEIR RESPECTIVE HOLDERS. SEE "BUSINESS-RELATIONSHIP WITH NSI--TRADEMARK/TRADENAME LICENSE AGREEMENTS," "--LICENSING AND SALES AGREEMENTS" AND "--KOREAN OPERATING AGREEMENTS." THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY ARE LOCATED AT 75 WEST CENTER STREET, PROVO, UTAH 84601, AND THE COMPANY'S TELEPHONE NUMBER IS (801) 345-6100.

IN THIS PROSPECTUS, REFERENCES TO "DOLLARS" AND "\$" ARE TO UNITED STATES DOLLARS, AND THE TERMS "UNITED STATES" AND "U.S." MEAN THE UNITED STATES OF AMERICA, ITS STATES, TERRITORIES, POSSESSIONS AND ALL AREAS SUBJECT TO ITS JURISDICTION, REFERENCES TO "YEN" AND "Y" ARE TO JAPANESE YEN, AND REFERENCES TO "WON" ARE TO SOUTH KOREAN WON.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth summary consolidated, pro forma and other financial information of the Company.

	YEAR ENDED SEPTEMBER 30,			YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,
	1992	1993	1994	1994(1)	1995	1996	1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)							
INCOME STATEMENT DATA:							
Revenue.....	\$ 42,919	\$ 110,624	\$ 254,637	\$ 264,440	\$ 358,609	\$ 678,596	\$ 124,185
Cost of sales.....	14,080	38,842	86,872	82,241	96,615	193,158	34,815
Gross profit.....	28,839	71,782	167,765	182,199	261,994	485,438	89,370
Operating expenses:							
Distributor incentives.....	14,659	40,267	95,737	101,372	135,722	249,613	46,181
Selling, general and administrative.....	10,065	27,150	44,566	48,753	67,475	105,477	20,027
Distributor stock expense.....	--	--	--	--	--	1,990	--
Operating income.....	4,115	4,365	27,462	32,074	58,797	128,358	23,162
Other income (expense), net.....	160	133	443	(394)	511	2,833	274
Income before provision for income taxes.....	4,275	4,498	27,905	31,680	59,308	131,191	23,436
Provision for income taxes.....	1,503	417	10,226	10,071	19,097	49,494	8,686
Net income.....	\$ 2,772	\$ 4,081	\$ 17,679	\$ 21,609	\$ 40,211	\$ 81,697	\$ 14,750
Pro forma net income per share(2).....					\$.50	\$ 1.01	\$.18
Pro forma weighted average common shares outstanding.....					80,518	81,060	80,518

1997

INCOME STATEMENT DATA:	
Revenue.....	\$ 210,994
Cost of sales.....	60,741
Gross profit.....	150,253
Operating expenses:	
Distributor incentives.....	80,543
Selling, general and administrative.....	34,483
Distributor stock expense.....	4,477
Operating income.....	30,750
Other income (expense), net.....	1,770
Income before provision for income taxes.....	32,520
Provision for income taxes.....	12,032
Net income.....	\$ 20,488
Pro forma net income per share(2).....	\$.24
Pro forma weighted average common shares outstanding.....	85,416

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,
	1995	1996	1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
PRO FORMA INCOME STATEMENT DATA(3)(4):			
Revenue.....	\$ 358,609	\$ 678,596	\$ 124,185
Cost of sales.....	96,615	193,158	34,815
Gross profit.....	261,994	485,438	89,370
Operating expenses:			
Distributor incentives.....	135,722	249,613	46,181
Selling, general and administrative.....	74,433	111,802	21,740
Operating income.....	51,839	124,023	21,449
Other income (expense), net(5).....	(2,298)	3,602	341
Income before provision for income taxes.....	49,541	127,625	21,790
Provision for income taxes.....	19,005	44,700	7,631
Net income.....	\$ 30,536	\$ 82,925	\$ 14,159

Net income per share(6).....	\$.36	\$.97	\$.17
Weighted average common shares outstanding.....	85,377	85,377	85,377

1997

PRO FORMA INCOME STATEMENT DATA(3)(4):

Revenue.....	\$ 210,994
Cost of sales.....	60,741
Gross profit.....	150,253
Operating expenses:	
Distributor incentives.....	80,543
Selling, general and administrative.....	34,483
Operating income.....	35,227
Other income (expense), net(5).....	1,770
Income before provision for income taxes.....	36,997
Provision for income taxes.....	13,689
Net income.....	\$ 23,308
Net income per share(6).....	\$.27
Weighted average common shares outstanding.....	85,377

AS OF
MARCH 31, 1997

(IN THOUSANDS)

BALANCE SHEET DATA(7):

Cash and cash equivalents.....	\$ 196,798
Working capital.....	77,936
Total assets.....	342,078
Short term notes payable to stockholders.....	71,487
Short term note payable to NSI.....	10,000
Stockholders' equity.....	129,998

	AS OF SEPTEMBER 30,			AS OF DECEMBER 31,			AS OF
	1992	1993	1994	1994	1995	1996	MARCH 31,
							1996
OTHER INFORMATION(8):							
Number of active distributors.....	33,000	106,000	152,000	170,000	236,000	377,000	293,000
Number of executive distributors.....	649	2,788	5,835	6,083	7,550	20,483	10,323

1997

OTHER INFORMATION(8):	
Number of active distributors.....	404,000
Number of executive distributors.....	23,449

- (1) The information for the year ended December 31, 1994 is not included in the Company's Consolidated Financial Statements included elsewhere in this Prospectus. Such information has been presented for comparative purposes only.
- (2) Reflects the weighted average number of common shares and common share equivalents outstanding during the periods presented assuming that the Company's Reorganization and the resultant issuance of 80,250,000 shares of Class B Common Stock occurred as of January 1, 1995. The weighted average number of common shares and common share equivalents include: (i) an option granted to an executive officer of the Company to purchase 267,500 shares of Class A Common Stock prior to the Reorganization; (ii) the sale of 4,750,000 shares of Class A Common Stock by the Company in connection with the Initial Underwritten Offerings; (iii) the grant of awards for 109,000 shares of Class A Common Stock to certain employees of the Company during November and December 1996; and (iv) the award of 41,959 additional shares of Class A Common Stock to certain employees of the Company during January 1997.
- (3) As part of the Reorganization, several actions occurred which impacted the comparability of the historical financial results of the Company with the future results of the Company. Therefore, a pro forma presentation has been prepared to provide comparative data. The unaudited pro forma income statement data reflect the Reorganization as if such event had occurred as of January 1, 1995, and the following adjustments: (i) the amortization over a 20-year period of a \$25.0 million payment, consisting of \$5.0 million in cash and \$20.0 million in notes, to NSI for the exclusive rights to distribute NSI products in Thailand, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam (the "License Fee"); (ii) the recognition by the Company of additional charges of \$4.4 million for the year ended December 31, 1995, \$4.0 million for the year ended December 31, 1996 and \$1.1 million for the three months ended March 31, 1996, relating to certain support services provided to the Company by NSI and an NSI affiliate and certain other charges related to operating as a public company; (iii) estimated annual compensation expense of \$1.2 million related to the employee stock bonus awards granted to employees of the Company, NSI and its affiliates; and (iv) adjustments for U.S. Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception.
- (4) The unaudited pro forma income statement data do not reflect the estimated non-cash compensation expense totaling \$19.9 million in connection with the one-time grant of the Distributor Options at an exercise price of \$5.75 per share. \$2.0 million of such expense was recorded as actual distributor stock expense for the year ended December 31, 1996. An additional \$4.5 million of such expense was recorded for the three months ended March 31, 1997. Neither of these expenses has been included in the pro forma presentation. The granting and vesting of the Distributor Options are conditioned upon distributor performance under the Global Compensation Plan and the NSI 1996 Distributor Stock Option Plan. The vesting of the Distributor Options is scheduled to occur on December 31, 1997.
- (5) Pro forma other income and expense includes: (i) increased interest expense of \$2.7 million for the year ended December 31, 1995 relating to the issuance of promissory notes (the "S Distribution Notes") of \$86.5 million from the Subsidiaries' earned and undistributed S corporation earnings through the date of the termination of the Subsidiaries' S corporation status; (ii) increased interest expense of \$0.9 million for the year ended December 31, 1995 and \$0.1 million for the year ended December 31, 1996 and for the three months ended March 31, 1996, respectively, relating to the issuance of \$20.0 million in notes as partial payment of the License Fee payable to NSI; and (iii) increased interest income of \$0.8 million for the year ended December 31, 1995, \$0.8 million for the year ended December 31, 1996 and \$0.2 million for the three months ended March 31, 1996 relating to a note receivable from NSI with an estimated principal balance of \$13.1 million as consideration for the Distributor Options.
- (6) Reflects, as if all shares had been issued as of January 1, 1995, the following: (i) 80,250,000 common shares outstanding and common share equivalents after giving effect to the Reorganization; (ii) the sale by the Company of 4,750,000 shares of Class A Common Stock in the Initial Underwritten Offerings; (iii) the grant of awards for 109,000 shares of Class A Common Stock to certain employees of the Company; and (iv) an option granted to an executive officer of the Company to purchase 267,500 shares of

Class A Common Stock. Supplemental income per share, calculated as if \$25.0 million of the proceeds from the Initial Underwritten Offerings were used to repay notes payable, had a dilutive effect of less than 2% and, therefore, is not presented.

- (7) As of March 31, 1997, the balance owing to NSI relating to the License Fee was \$10.0 million, and the balance of S Distribution Notes payable to the Selling Stockholders and certain of their affiliates in respect of the earned and undistributed taxable S corporation earnings and capital at November 19, 1996 was \$71.5 million. On April 4, 1997, the Company paid the \$71.5 million balance of the S Distribution Notes, together with related accrued interest expense of \$1.6 million thereon.
- (8) Active distributors are those distributors who are resident in the countries in which the Company operates and who have purchased products during the three months ended as of the date indicated, rounded to the nearest thousand. An executive distributor is an active distributor who has submitted a qualifying letter of intent to become an executive distributor, achieved specified personal and group sales volumes for a four month period and maintained such specified personal and group sales volumes thereafter.

RISK FACTORS

AN INVESTMENT IN THE CLASS A COMMON STOCK INVOLVES SPECIAL CONSIDERATIONS AND SIGNIFICANT RISKS, INCLUDING, BUT NOT LIMITED TO, THOSE DISCUSSED OR REFERRED TO BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS AND INFORMATION IN CONJUNCTION WITH THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE ACQUIRING SHARES OF CLASS A COMMON STOCK. THE STATEMENTS IN THIS SECTION THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS INVOLVE CERTAIN RISKS AND UNCERTAINTIES. ACTUAL RESULTS AND OUTCOMES MAY DIFFER MATERIALLY FROM THOSE DISCUSSED IN THIS SECTION. FACTORS THAT MIGHT CAUSE SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THE RISKS AND IMPORTANT FACTORS DISCUSSED BELOW.

RELIANCE UPON INDEPENDENT DISTRIBUTORS OF NSI

The Company distributes its products exclusively through independent distributors who have contracted directly with NSI to become distributors. Consequently, the Company does not contract directly with distributors but licenses its distribution system and distributor force from NSI. Distributor agreements with NSI are voluntarily terminable by distributors at any time. The Company's revenue is directly dependent upon the efforts of these independent distributors, and any growth in future sales volume will require an increase in the productivity of these distributors and/or growth in the total number of distributors. As is typical in the direct selling industry, there is turnover in distributors from year to year, which requires the sponsoring and training of new distributors by existing distributors to maintain or increase the overall distributor force and motivate new and existing distributors. The Company experiences seasonal decreases in distributor sponsoring and product sales in some of the countries in which the Company operates because of local holidays and customary vacation periods. The size of the distribution force can also be particularly impacted by general economic and business conditions and a number of intangible factors such as adverse publicity regarding the Company or NSI, or the public's perception of the Company's products, product ingredients, NSI's distributors or direct selling businesses in general. Historically, the Company has experienced periodic fluctuations in the level of distributor sponsorship (as measured by distributor applications). However, because of the number of factors that impact the sponsoring of new distributors, and the fact that the Company has little control over the level of sponsorship of new distributors, the Company cannot predict the timing or degree of those fluctuations. There can be no assurance that the number or productivity of the Company's distributors will be sustained at current levels or increased in the future. In addition, the number of distributors as a percent of the population in a given country or market could theoretically reach levels that become difficult to exceed due to the finite number of persons inclined to pursue a direct selling business opportunity. This is of particular concern in Taiwan, where industry sources have estimated that up to 10% of the population is already involved in some form of direct selling.

Since distributor agreements are entered into between NSI and distributors, all of the distributors who generate revenue for the Company are distributors of NSI. See "--Relationship with and Reliance on NSI; Potential Conflicts of Interest." Because distributors are independent contractors of NSI, neither NSI nor the Company is in a position to provide the same level of direction, motivation and oversight as either would with respect to its own employees. The Company relies on NSI to enforce distributors policies and procedures. Although NSI has a compliance department responsible for the enforcement of the policies and procedures that govern distributor conduct, it can be difficult to enforce these policies and procedures because of the large number of distributors and their independent status, as well as the impact of regulations in certain countries that limit the ability of NSI and the Company to monitor and control the sales practices of distributors.

POTENTIAL EFFECTS OF ADVERSE PUBLICITY

The size of the distribution force and the results of the Company's operations can be particularly impacted by adverse publicity regarding the Company or NSI, or their competitors, including publicity

regarding the legality of network marketing, the quality of the Company's products and product ingredients or those of its competitors, regulatory investigations of the Company or the Company's competitors and their products, distributor actions and the public's perception of NSI's distributors and direct selling businesses generally.

In 1991 and 1992, NSI was the subject of investigations by various regulatory agencies of eight states. All of the investigations were concluded satisfactorily. However, the publicity associated with the investigations resulted in a material adverse impact on NSI's results of operations. The denial by the Malaysian government in 1995 of the Company's business permit applications due to distributor actions resulted in adverse publicity for the Company. In South Korea, a coalition of consumer groups recently announced a public boycott against the Company's largest international competitor in this market. These groups have claimed that this competitor has violated South Korean laws barring comparisons between products and made unjustified environmental claims about its products. Various trade groups have also attacked this competitor's direct marketing methods. In addition, the South Korean government and certain consumer and trade organizations have expressed concerns which have attracted media attention regarding South Korean consumption of luxury and foreign products, in general. Although the Company has not been subject to similar attacks, the Company believes that the adverse publicity resulting from these claims and media campaigns has and may continue to adversely affect the direct selling industry and the Company's South Korean operations. See "--Seasonality and Cyclicity; Variations in Operating Results." There can be no assurance that the Company will not be subject to adverse publicity in the future as a result of regulatory investigations or actions, whether of the Company or its competitors, distributor actions, actions of competitors or other factors or that such adverse publicity will not have a material adverse effect on the Company's business or results of operations. See "--Government Regulation of Direct Selling Activities," "--Government Regulation of Products and Marketing," "--Other Regulatory Issues" and "--Entering New Markets."

POTENTIAL NEGATIVE IMPACT OF DISTRIBUTOR ACTIONS

Distributor actions can negatively impact the Company and its products. From time to time, the Company receives inquiries from regulatory agencies precipitated by distributor actions. For example, in October 1995, the Company's business permit applications were denied by the Malaysian government as the result of activities by certain NSI distributors before required government approvals could be secured. NSI subsequently terminated the distributorship rights of some of the distributors involved and elected to withdraw from the Malaysian market for a period of time. The denial by the Malaysian government of the Company's business permit applications resulted in adverse publicity for the Company. See "--Other Regulatory Issues." Distributor activities in other countries in which the Company has not commenced operations may similarly result in an inability to secure, or delay in securing required regulatory and business permits. See "Business--New Market Opportunities." In addition, the publicity which can result from a variety of potential distributor activities such as inappropriate earnings claims, product representations or improper importation of Nu Skin products from other markets, can make the sponsoring and retaining of distributors more difficult, thereby negatively impacting sales. See "--Potential Effects of Adverse Publicity." Furthermore, the Company's business and results of operations could be adversely affected if NSI terminates a significant number of distributors or certain distributors who play a key role in the Company's distribution system. There can be no assurance that these or other distributor actions will not have a material adverse effect on the Company's business or results of operations.

CURRENCY RISKS

The Company's foreign-derived sales and selling, general and administrative expenses are converted to U.S. dollars for reporting purposes. Consequently, the Company's reported earnings are significantly impacted by changes in currency exchange rates, generally increasing with a weakening dollar and decreasing with a strengthening dollar. In addition, the Company purchases inventory from NSI in

U.S. dollars and assumes currency exchange rate risk with respect to such purchases. Local currency in Japan, Taiwan, Hong Kong, South Korea and Thailand is generally used to settle non-inventory transactions with NSI. Given the uncertainty of the extent of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on its future business, product pricing, results of operations or financial condition. However, because nearly all of the Company's revenue is realized in local currencies and the majority of its cost of sales is denominated in U.S. dollars, the Company's gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening in the U.S. dollar.

The Company believes that a variety of complex factors impact the value of local currencies relative to the U.S. dollar including, without limitation, interest rates, monetary policies, political environments, and relative economic strengths. The Company believes that an increase in the short-term interest rate by the U.S. Federal Reserve Board in early 1997 contributed to the strengthening of the U.S. dollar against the yen in the first four months of 1997. In order to partially offset the anticipated effect of these currency fluctuations, the Company announced a price increase on certain of its products of between 5% and 9% on average. Even though the U.S. dollar has recently weakened against the yen, management has elected to continue with the previously announced price increases. There can be no assurance that these price increases will not adversely affect the Company's results of operations by decreasing consumer demand for the Company's products or that the Company will be able to effect additional price increases in the future to offset the impact of future currency fluctuations. There can be no assurance that future currency fluctuations will not result in similar concerns or adversely affect the performance of the price of the Class A Common Stock. Although the Company tries to reduce its exposure to fluctuations in foreign exchange rates by using hedging transactions, such transactions may not entirely offset the impact of currency fluctuations. Accordingly, in the face of a strengthening of the U.S. dollar, the Company's earnings will be adversely affected. The Company does not use hedging transactions for trading or speculative purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Currency Fluctuation and Exchange Rate Information."

SEASONALITY AND CYCLICALITY; VARIATIONS IN OPERATING RESULTS

While neither seasonal nor cyclical variations have materially affected the Company's results of operations to date, the Company believes that its rapid growth may have overshadowed these factors. Accordingly, there can be no assurance that seasonal or cyclical variations will not materially adversely affect the Company's results of operations in the future.

The direct selling industry in Asia is impacted by certain seasonal trends such as major cultural events and vacation patterns. For example, sales are generally affected by local New Year celebrations in Japan, Taiwan, Hong Kong, South Korea and Thailand, which occur in the Company's first quarter. Management believes that direct selling in Japan is also generally negatively impacted during August, when many individuals traditionally take vacations.

Generally, the Company has experienced rapid revenue growth in each new market from the commencement of operations. In Japan, Taiwan and Hong Kong, the initial rapid revenue growth was followed by a short period of stable or declining revenue followed by renewed growth fueled by new product introductions, an increase in the number of active distributors and increased distributor productivity. The Company believes that a similar pattern is currently occurring in its operations in South Korea, where the Company anticipates a significant decline in its second quarter revenue from revenue in the first quarter of 1997. The Company expects that this anticipated decline in South Korean revenue will be offset by revenue gains in the Company's other markets in the second quarter. The Company believes that the anticipated revenue decline is partially reflective of the typical business cycle experienced in new markets and partially the result of other factors specific to South Korea. These other factors include recent activities by the South Korean government and campaigns by a coalition of consumer protection and trade organizations against producers of luxury and foreign goods, in general, and certain network marketing

companies, in particular, that have drawn negative media attention. Although the Company has not been the focus of these campaigns, management believes that they have negatively impacted the business environment generally. See "--Potential Effects of Adverse Publicity." An additional factor which the Company believes may be responsible for the anticipated second quarter revenue decline in South Korea includes the choice by certain key distributors to focus their energies on other recently-opened markets, including Thailand.

In addition, the Company may experience variations on a quarterly basis in its results of operations, as new products are introduced and new markets are opened. There can be no assurance that current revenue and productivity trends will be maintained in any of these markets or that future results of operations will follow historical performance. Furthermore, no assurances can be given that the Company's revenue growth rate in Thailand, which commenced operations in March 1997, or in new markets where operations have not commenced, will follow this pattern.

GOVERNMENT REGULATION OF DIRECT SELLING ACTIVITIES

Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, that promise quick rewards for little or no effort, require high entry costs, use high pressure recruiting methods and/or do not involve legitimate products. In Japan, the Company's distribution system is regulated under the "Door-to-Door" Sales Law, which requires the submission of specific information concerning the Company's business and products and which provides certain cancellation and cooling-off rights for consumers and new distributors. Management has been advised by counsel that in some respects Japanese laws are becoming more restrictive with respect to direct selling in Japan. In Taiwan, the Fair Trade Law (and the Enforcement Rules and Supervisory Regulations of Multi-Level Sales) requires the Company to comply with registration procedures and also provides distributors with certain rights regarding cooling-off periods and product returns. The Company also complies with South Korea's strict Door-to-Door Sales Act, which requires, among other things, the regular reporting of revenue, the registration of distributors together with the issuance of a registration card, and the maintaining of a current distributor registry. This law also limits the amount of commissions that a registered multi-level marketing company can pay to its distributors to 35% of revenue in a given month. In Thailand, general fair trade laws impact direct selling and multi-level marketing activities.

In April 1997, the South Korean Ministry of Trade, Industry and Energy ("MOTIE") commenced a review of the largest foreign and domestic-owned network marketing companies in South Korea, including Nu Skin Korea. The purposes of the review were stated to be to monitor how companies are operating and to audit current business practices. Although the MOTIE has not issued a report in connection with the industry or Nu Skin Korea, the Company does not believe that this review will adversely affect its ability to conduct business in South Korea.

Based on research conducted in opening its existing markets (including assistance from local counsel), the nature and scope of inquiries from government regulatory authorities and the Company's history of operations in such markets to date, the Company believes that its method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of all of the countries in which the Company currently operates. Many countries, however, including Singapore, one of the Company's potential markets, currently have laws in place that would prohibit the Company and NSI from conducting business in such markets. There can be no assurance that the Company will be allowed to conduct business in each of the new markets or continue to conduct business in each of its existing markets licensed from NSI. See "--Entering New Markets."

GOVERNMENT REGULATION OF PRODUCTS AND MARKETING; IMPORT RESTRICTIONS

The Company and NSI are subject to or affected by extensive governmental regulations not specifically addressed to network marketing. Such regulations govern, among other things, (i) product formulation, labeling, packaging and importation, (ii) product claims and advertising, whether made by the Company, NSI or NSI distributors, (iii) fair trade and distributor practices, (iv) taxes, transfer pricing and similar regulations that affect foreign taxable income and customs duties, and (v) regulations governing foreign companies generally.

With the exception of a small percentage of revenues in Japan, virtually all of the Company's sales historically have been derived from products purchased from NSI. All of those products historically have been imported into the countries in which they were ultimately sold. The countries in which the Company currently conducts business impose various legal restrictions on imports. In Japan, the Japanese Ministry of Health and Welfare ("MOHW") requires the Company to possess an import business license and to register each personal care product imported into the country. Packaging and labeling requirements are also specified. The Company has had to reformulate many products to satisfy MOHW regulations. In Japan, nutritional foods, drugs and quasi-drugs are all strictly regulated. The chief concern involves the types of claims and representations that can be made regarding the efficacy of nutritional products. In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. In Hong Kong and Macau, "pharmaceutical" products are strictly regulated. In South Korea, the Company is subject to and has obtained the mandatory certificate of confirmation as a qualified importer of cosmetics under the Pharmaceutical Affairs Law as well as additional product approvals for each of the 45 categories of cosmetic products which it imports. Each new cosmetic product undergoes a 60-day post-customs inspection during which, in addition to compliance with ingredient requirements, each product is inspected for compliance with South Korean labeling requirements. There can be no assurance that these or other applicable regulations will not prevent the Company from introducing new products into its markets or require the reformulation of existing products.

In Thailand, personal care products are regulated by the Food and Drug Association and the Ministry of Public Health and all of the Nu Skin personal care products introduced in this market have qualified for simplified approval procedures under Thai law.

The Company has not experienced any difficulty maintaining its import licenses but has experienced complications regarding health and safety and food and drug regulations for nutritional products. Many products require reformulation to comply with local requirements. In addition, new regulations could be adopted or any of the existing regulations could be changed at any time in a manner that could have a material adverse effect on the Company's business and results of operations. Duties on imports are a component of national trade and economic policy and could be changed in a manner that would be materially adverse to the Company's sales and its competitive position compared to locally-produced goods, in particular in countries such as Taiwan, where the Company's products are already subject to high customs duties. In addition, import restrictions in certain countries and jurisdictions limit the Company's ability to import products from NSI. In some jurisdictions, such as the PRC, regulators may prevent the importation of Nu Skin and IDN products altogether. Present or future health and safety or food and drug regulations could delay or prevent the introduction of new products into a given country or marketplace or suspend or prohibit the sale of existing products in such country or marketplace.

OTHER REGULATORY ISSUES

As a U.S. entity operating through subsidiaries in foreign jurisdictions, the Company is subject to foreign exchange control and transfer pricing laws that regulate the flow of funds between the Subsidiaries and the Company, as well as the flow of funds to NSI for product purchases, management services and contractual obligations such as payment of distributor commissions. The Company believes that it operates in compliance with all applicable customs, foreign exchange control and transfer pricing laws. However,

there can be no assurance that the Company will continue to be found to be operating in compliance with foreign customs, exchange control and transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes in the Company's operating procedures.

As is the case with most network marketing companies, NSI and the Company have from time to time received inquiries from various government regulatory authorities regarding the nature of their business and other issues such as compliance with local business opportunity and securities laws. Although to date none of these inquiries has resulted in a finding materially adverse to the Company or NSI, adverse publicity resulting from inquiries into NSI operations by certain government agencies in the early 1990's, stemming in part out of inappropriate product and earnings claims by distributors, materially adversely affected NSI's business and results of operations. There can be no assurance that the Company or NSI will not face similar inquiries in the future which, either as a result of findings adverse to the Company or NSI or as a result of adverse publicity resulting from the instigation of such inquiries, could have a material adverse effect on the Company's business and results of operations. See "--Potential Effects of Adverse Publicity."

The Subsidiaries are periodically subject to reviews and audits by various governmental agencies, particularly in new markets, where the Company has experienced high rates of growth. Recently, the South Korean Ministry of Trade, Industry and Energy commenced an examination of the largest foreign and domestic owned network marketing companies in South Korea, including Nu Skin Korea. The purposes of the examination were stated to be to monitor how companies are operating and to audit current business practices. In addition, Nu Skin Korea is currently subject to an audit by South Korean customs authorities. Management believes that this audit, the focus of which is to review customs valuation issues and inter-company payments is, in large measure, the result of Nu Skin Korea's rapid growth and its position as the largest importer of cosmetics and personal care products in South Korea. In addition, no assurances can be given that Nu Skin Korea will not, as a result of the audit, be assessed additional customs duties based on an increase in customs valuation of imported products or will not be subject to other regulatory review, or in the event that these risks materialize, will not be subject to adverse publicity. Nevertheless, the Company believes its operations are in compliance in all material respects with local laws. See "--Potential Negative Impact of Distributor Actions." Management believes that other major importers of cosmetic products are also the focus of regulatory reviews by South Korean authorities.

Businesses which are more than 50% owned by non-citizens are not permitted to operate in Thailand unless they have an Alien Business Permit, which is frequently difficult to obtain. The Company is currently operating under the Treaty of Amity and Economic Relations between Thailand and the United States. Under the Treaty of Amity, an Alien Business Permit is not required if a Thailand business is owned by an entity organized in the United States, a majority of whose owners are U.S. citizens or entities. From time to time, it has been reported that certain Thailand government officials have considered supporting the termination of the Treaty of Amity. There can be no assurance that, if the Treaty of Amity were terminated, the Company would be able to obtain an Alien Business Permit and continue operations in Thailand.

Based on the Company's and NSI's experience and research (including assistance from counsel) and the nature and scope of inquiries from government regulatory authorities, the Company believes that it is in material compliance with all regulations applicable to the Company. Despite this belief, either the Company or NSI could be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by independent distributors. In 1994, NSI and three of its distributors entered into a consent decree with the United States Federal Trade Commission (the "FTC") with respect to its investigation of certain product claims and distributor practices, pursuant to which NSI paid approximately \$1 million to settle the FTC investigation. NSI is currently in discussions with the FTC regarding its compliance with such consent decree and other product issues raised by the FTC. NSI recently voluntarily agreed to recall and rewrite virtually all of its sales and marketing materials to address FTC concerns. NSI has also offered

a monetary settlement, which proposal is currently under review by the FTC. Even though neither the Company nor the Subsidiaries has encountered similar regulatory concerns, there can be no assurances that the Company and the Subsidiaries will not be subject to similar inquiries and regulatory investigations or disputes and the effects of any adverse publicity resulting therefrom. Any assertion or determination that either the Company, NSI or any NSI distributors are not in compliance with existing laws or regulations could potentially have a material adverse effect on the Company's business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on the Company's business and results of operations. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on the Company's business and results of operations. Moreover, governmental regulations in countries where the Company plans to commence or expand operations may prevent, delay or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to the Company or NSI, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on the Company's sales and earnings. See "--Potential Effects of Adverse Publicity," "--Entering New Markets" and "Business--Government Regulation--Regulation of Products and Marketing."

RELIANCE ON CERTAIN DISTRIBUTORS; POTENTIAL DIVERGENCE OF INTERESTS BETWEEN DISTRIBUTORS AND THE COMPANY

The Company's Global Compensation Plan allows distributors to sponsor new distributors. The sponsoring of new distributors creates multiple distributor levels in the network marketing structure. Sponsored distributors are referred to as "downline" distributors within the sponsoring distributor's "downline network." If downline distributors also sponsor new distributors, additional levels of downline distributors are created, with the new downline distributors also becoming part of the original sponsor's "downline network." As a result of this network marketing distribution system, distributors develop relationships with other distributors, both within their own countries and internationally. The Company believes that its revenue is generated from thousands of distributor networks. However, the Company estimates that, as of March 31, 1997, approximately 340 distributorships worldwide comprised NSI's two highest executive distributor levels (Hawaiian Blue Diamond and Blue Diamond distributors). These distributorships have developed extensive downline networks which consist of thousands of sub-networks. Together with such networks, these distributorships account for substantially all of the Company's revenue. Consequently, the loss of such a high-level distributor or another key distributor together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could adversely affect sales of the Company's products, impair the Company's ability to attract new distributors and adversely impact earnings.

Under the Global Compensation Plan, a distributor receives commissions based on products sold by the distributor and by participants in the distributor's worldwide downline network, regardless of the country in which such participants are located. The Company, on the other hand, receives revenues based almost exclusively on sales of products to distributors within the Company's markets. So, for example, if a distributor located in Japan sponsors a distributor in Europe, the Japanese distributor could receive commissions based on the sales made by the European distributor, but the Company would not receive any revenue since the products would have been sold outside of the Company's markets. The interests of the Company and distributors therefore diverge somewhat in that the Company's primary objective is to maximize the amount of products sold within the Company's markets, while the distributors' objective is to maximize the amount of products sold by the participants in the distributors' worldwide downline networks. The Company and NSI have observed that the commencement of operations in a new country tends to distract the attention of distributors from the established markets for a period of time while key distributors begin to build their downline networks within the new country. NSI is currently contemplating opening operations in additional countries outside of the Company's markets. To the extent distributors

focus their energies on establishing downline networks in these new countries, and decrease their focus on building organizations within the Company's markets, the Company's business and results of operations could be adversely affected. Furthermore, the Company itself is currently contemplating opening new markets. In the event distributors focus on these new markets, sales in existing markets might be adversely affected. There can be no assurance that these new markets will develop or that any increase in sales in new markets will not be more than offset by a decrease in sales in the Company's existing markets.

ENTERING NEW MARKETS

As part of its growth strategy, the Company has acquired from NSI the right to act as NSI's exclusive distribution vehicle in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam. The Company has undertaken a preliminary review of the laws and regulations to which its operations would be subject in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam. Given existing regulatory environments and economic conditions, the Company's entrance into Singapore and Vietnam is not anticipated in the short to mid-term. The regulatory and political climate in the other countries for which the Company has the right to act as NSI's exclusive distributor is such that a replication of the Company's current operating structure cannot be guaranteed. Because the Company's personal care and nutritional product lines are positioned as premium product lines, the market potential for the Company's product lines in relatively less developed countries, such as the PRC and Vietnam, remains to be determined. Modifications to each product line may be needed to accommodate the market conditions in each country, while maintaining the integrity of the Company's products. No assurance can be given that the Company and NSI, upon which the Company is largely dependent for product development assistance, will be able to successfully reformulate Nu Skin and IDN product lines in any of the Company's new markets to attract local consumers.

Each of the proposed new markets will present additional unique difficulties and challenges. The PRC, for example, has proven to be a particularly difficult market for foreign corporations due to its extensive government regulation and the historical political tenets of the PRC government. In order to enter the market in the PRC, the Company may be required to create a joint venture enterprise with a Chinese entity and to establish a local manufacturing presence, which will entail a significant investment on the Company's part. The Company will likely have to apply for licenses on a province by province basis and the repatriation of the Company's profits will be subject to restrictions on currency conversion and the fluctuations of the government controlled exchange rate. In addition, because distribution systems in the PRC are greatly fragmented, the Company may be forced to use business models significantly different from those used by the Company in more developed countries. The lack of a comprehensive legal system and the uncertainties of enforcement of existing legislation and laws could also have an adverse effect on the Company's proposed business in the PRC.

The other potential new markets also present significant regulatory, political and economic obstacles to the Company. In Singapore, for example, network marketing is currently illegal and is not permitted under any circumstances. Although the Company believes that this restriction will eventually be relaxed or repealed, no assurance can be given that such regulation will not remain in place and that the Company will not be permanently prevented from initiating sales in Singapore. In addition, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. There can be no assurance that the Company will be able to properly structure Malaysian operations to comply with this policy. In October of 1995, the Company's business permit applications were denied by the Malaysian government as a result of activities by certain NSI distributors. Therefore, the Company believes that although significant opportunities exist to expand its operations into new markets, there can be no assurance that these or other difficulties will not prevent the Company from realizing the benefits of this opportunity.

MANAGING GROWTH

The Company has experienced rapid growth since operations in Hong Kong commenced in 1991. The management challenges imposed by this growth include entry into new markets, growth in the number of employees and distributors, expansion of facilities necessary to accommodate growth and additions and modifications to the Company's product lines. To manage these changes effectively, the Company may be required to hire additional management and operations personnel and to improve its operational, financial and management systems. For example, the dramatic growth in South Korea has led to operational strains. While the Company is currently implementing numerous programs to address these issues, there can be no assurance that the rapid growth in South Korea will not result in further operational strains or that the Company's other markets will not experience similar problems in the future that could adversely affect the Company's business and results of operations.

POSSIBLE ADVERSE EFFECT ON THE COMPANY OF A CHANGE IN THE STATUS OF HONG KONG

The Company has offices and a portion of its operations in the British Crown Colony of Hong Kong. Effective July 1, 1997, the exercise of sovereignty over Hong Kong will be transferred from the Government of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom") to the government of the PRC pursuant to the Sino-British Joint Declaration on the Question of Hong Kong (the "Joint Declaration") and Hong Kong will become a Special Administrative Region (SAR) of the PRC. The Joint Declaration provides that Hong Kong will be directly under the authority of the government of the PRC but Hong Kong will enjoy a high degree of autonomy except in foreign and defense affairs, and that Hong Kong will be vested with executive, legislative and independent judicial power. The Joint Declaration also provides that the current social and economic systems in Hong Kong will remain unchanged for 50 years after June 30, 1997 and that Hong Kong will retain the status of an international financial center. Although sales in Hong Kong accounted for less than 5% of the Company's revenues for the year ended December 31, 1996, Hong Kong serves as the location for the Company's regional offices and an important base of operations for many of the Company's most successful distributors whose downline distributor networks extend into other Asian markets. Any adverse effect on the social, political or economic systems in Hong Kong resulting from this transfer could have a material adverse effect on the Company's business and results of operations. Although the Company does not anticipate any material adverse change in the business environment in Hong Kong resulting from the 1997 transfer of sovereignty, the Company has formulated contingency plans to transfer the Company's regional office to another jurisdiction in the event that the Hong Kong business environment is so affected.

RELATIONSHIP WITH AND RELIANCE ON NSI; POTENTIAL CONFLICTS OF INTEREST

NSI has ownership and control of the NSI trademarks, tradenames, the Global Compensation Plan, distributor lists and related intellectual property and know-how (collectively, the "Licensed Property"), and licenses to the Company rights to use the Licensed Property in certain markets. NSI and its affiliates currently operate in 15 countries, excluding the countries in which the Company currently operates, and will continue to market and sell Nu Skin personal care and IDN nutritional products in these countries, as well as in additional countries outside of the Company's markets, through the network marketing channel. Thus the Company cannot use the NSI trademarks to expand into other markets for which the Company does not currently have a license without first obtaining additional licenses or other rights from NSI. There can be no assurance that NSI will make any additional markets available to the Company or that the terms of any new licenses from NSI will be acceptable to the Company.

NSI has licensed to the Company, through the Subsidiaries, rights to distribute Nu Skin and IDN products and to use the Licensed Property in the Company's markets, and Nu Skin International Management Group, Inc. ("NSIMG"), an affiliate of NSI, will provide management support services to the Company and the Subsidiaries, pursuant to distribution, trademark/tradename license, licensing and sales, and management services agreements (the "Operating Agreements"). The Company relies on NSI for

research, development, testing, labeling and regulatory compliance for products sold to the Company under the distribution agreements, and virtually all of the Company's revenues are derived from products and sales aids purchased from NSI pursuant to these agreements. NSIMG provides the Company with a variety of management and consulting services, including, but not limited to, management, legal, financial, marketing and distributor support/training, public relations, international expansion, human resources, strategic planning, product development and operations administration services. Each of the Operating Agreements (other than the distribution, trademark/tradename license and licensing and sales agreements for Nu Skin Korea, which have shorter terms), is for a term ending December 31, 2016, and is subject to renegotiation after December 31, 2001, in the event that the Selling Stockholders and their affiliates, on a combined basis, no longer beneficially own a majority of the combined voting power of the outstanding shares of Common Stock of the Company or of the common stock of NSI. The Company is almost completely dependent on the Operating Agreements to conduct its business, and in the event NSI is unable or unwilling to perform its obligations under the Operating Agreements, or terminates the Operating Agreements as provided therein, the Company's business and results of operations will be adversely affected. See "Business--Relationship with NSI."

Upon consummation of the Offerings, approximately 97.2% of the combined voting power of the outstanding shares of Common Stock will be held by the Selling Stockholders and certain of their affiliates (approximately 97.0% if the underwriters' over-allotment options are exercised in full). Consequently, the Selling Stockholders and certain of their affiliates will have the ability, acting in concert, to elect all directors of the Company and approve any action requiring approval by a majority of the stockholders of the Company. Certain of the Selling Stockholders also own 100% of the outstanding shares of NSI. As a result of this ownership, the Selling Stockholders who are also shareholders of NSI will consider the short-term and the long-term impact of all stockholder decisions on the consolidated financial results of NSI and the Company. See "--Control by Selling Stockholders and Certain of their Affiliates; Anti-Takeover Effects of Dual Classes of Common Stock."

The Operating Agreements were approved by the Board of Directors of the Company, which was, except with respect to the approval of the Operating Agreements with Nu Skin Thailand, composed entirely of individuals who were also officers and shareholders of NSI at the time of approval. The Operating Agreements with Nu Skin Thailand were approved by a majority of the disinterested directors of the Company. In addition, some of the executive officers of the Company are also executive officers of NSI. It is expected that a number of the Company's executive officers will continue to spend a portion of their time on the affairs of NSI, for which they will continue to receive compensation from NSI.

Concurrently with the Initial Underwritten Offerings, the Company purchased from NSI for \$25.0 million the exclusive rights to distribute Nu Skin and IDN products in Thailand, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam. The Company has paid \$15.0 million of this amount, and the remaining \$10.0 million of this amount is due in January 1998.

In view of the substantial relationships between the Company and NSI, conflicts of interest may exist or arise with respect to existing and future business dealings, including, without limitation, the relative commitment of time and energy by the executive officers to the respective businesses of the Company and NSI, potential acquisitions of businesses or properties, the issuance of additional securities, the election of new or additional directors and the payment of dividends by the Company. There can be no assurance that any conflicts of interest will be resolved in favor of the Company. Under Delaware and Utah law, a person who is a director of both the Company and NSI owes fiduciary duties to both corporations and their respective shareholders. As a result, persons who are directors of both the Company and NSI are required to exercise their fiduciary duties in light of what they believe to be best for each of the companies and its shareholders. See "Certain Relationships and Related Transactions."

CONTROL BY SELLING STOCKHOLDERS AND CERTAIN OF THEIR AFFILIATES; ANTI-TAKEOVER
EFFECT OF DUAL CLASSES OF COMMON STOCK

Because of the relationship between the Company and NSI, management elected to structure the capitalization of the Company in such a manner as to minimize the possibility of a change in control of the Company without the consent of the Selling Stockholders and certain of their affiliates. Consequently, the shares of Class B Common Stock enjoy ten to one voting privileges over the shares of Class A Common Stock until the outstanding shares of Class B Common Stock constitute less than 10% of the total outstanding shares of Common Stock. The Selling Stockholders and their affiliates collectively own 100% of the outstanding shares of the Class B Common Stock, which, following the consummation of the Offerings, will represent approximately 97.2% of the combined voting power of the outstanding shares of Common Stock (approximately 97.0% if the underwriters' over-allotment options are exercised in full). Accordingly, the Selling Stockholders and certain of their affiliates, acting fully or partially in concert, will have the ability to control the election of the Board of Directors of the Company and thus the direction and future operations of the Company without the supporting vote of any other stockholder of the Company, including decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares of Class A Common Stock and other securities. NSI is a privately-held company, all of the shares of which are owned by certain of the Selling Stockholders. As long as the shareholders of NSI are majority stockholders of the Company, assuming they act in concert, third parties will not be able to obtain control of the Company through purchases of shares of Class A Common Stock. See "Principal and Selling Stockholders" and "Description of Capital Stock."

ADVERSE IMPACT ON COMPANY INCOME DUE TO DISTRIBUTOR OPTION PROGRAM

Prior to the Initial Public Offerings, the Selling Stockholders and certain of their affiliates converted 1,605,000 shares of Class B Common Stock to Class A Common Stock and contributed such shares of Class A Common Stock to the Company. The Company granted to NSI options to purchase such shares of Class A Common Stock (the "Distributor Options"), and NSI offered these options to qualifying distributors of NSI. The Exercise Price for each Distributor Option is \$5.75, which is 25% of the initial price per share to the public of the Class A Common Stock in the Initial Public Offerings. The vesting of the Distributor Options is subject to certain conditions, and the Distributor Options have been registered along with the shares of Class A Common Stock underlying such Distributor Options pursuant to Rule 415 under the 1933 Act. See "Business--Distributor Option Program".

The Company estimates a total pre-tax non-cash compensation expense of \$19.9 million in connection with the grant of the Distributor Options. This non-cash compensation expense will result in a corresponding impact on net income and net income per share, which may also result in a corresponding impact on the market price of the Class A Common Stock. See "Shares Eligible for Future Sale."

RELIANCE ON AND CONCENTRATION OF OUTSIDE MANUFACTURERS

Virtually all the Company's products are sourced through NSI and are produced by manufacturers unaffiliated with NSI. The Company currently has little or no direct contact with these manufacturers. The Company's profit margins and its ability to deliver its existing products on a timely basis are dependent upon the ability of NSI's outside manufacturers to continue to supply products in a timely and cost-efficient manner. Furthermore, the Company's ability to enter new markets and sustain satisfactory levels of sales in each market is dependent in part upon the ability of suitable outside manufacturers to reformulate existing products, if necessary to comply with local regulations or market environments, for introduction into such markets. Finally, the development of additional new products in the future will likewise be dependent in part on the services of suitable outside manufacturers.

The Company currently acquires products or ingredients from sole suppliers or suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes that, in the event it is unable to source any products or ingredients from its current suppliers, the Company could produce such products or replace such products or substitute ingredients without great difficulty or

prohibitive increases in the cost of goods sold. However, there can be no assurance that the loss of such a supplier would not have a material adverse effect on the Company's business and results of operations.

With respect to sales to the Company, NSI currently relies on two unaffiliated manufacturers to produce approximately 70% and 80% of its personal care and nutritional products, respectively. NSI has a written agreement with the primary supplier of the Company's personal care products that expires at the end of 1997. An extension to such contract is currently being negotiated. NSI does not currently have a written contract with the primary supplier of the Company's nutritional products. The Company believes that in the event that NSI's relationship with any of its key manufacturers is terminated, NSI will be able to find suitable replacement manufacturers. However, there can be no assurance that the loss of either manufacturer would not have a material adverse effect on the Company's business and results of operations.

RELIANCE ON OPERATIONS OF AND DIVIDENDS AND DISTRIBUTIONS FROM SUBSIDIARIES

The Company is a holding company without operations of its own or significant assets other than ownership of 100% of the capital stock of each of the Subsidiaries. Accordingly, an important source of the Company's income will be dividends and other distributions from the Subsidiaries. Each of the Subsidiaries has its operations in a country other than the United States, the country in which the Company is organized. In addition, each of the Subsidiaries receives its revenues in the local currency of the country or jurisdiction in which it is situated. As a consequence, the Company's ability to obtain dividends or other distributions is subject to, among other things, restrictions on dividends under applicable local laws and regulations, and foreign currency exchange regulations of the country or jurisdictions in which the Subsidiaries operate. The Subsidiaries' ability to pay dividends or make other distributions to the Company is also subject to their having sufficient funds from their operations legally available for the payment of such dividends or distributions that are not needed to fund their operations, obligations or other business plans. Because the Company will be a stockholder of each of the Subsidiaries, the Company's claims as such will generally rank junior to all other creditors of and claims against the Subsidiaries. In the event of a Subsidiary's liquidation, there may not be assets sufficient for the Company to recoup its investment in such Subsidiary.

TAXATION RISKS AND TRANSFER PRICING

The Company is subject to taxation in the United States, where it is incorporated, at a statutory corporate federal tax rate of 35.0% plus any applicable state income taxes. In addition, each Subsidiary is subject to taxation in the country in which it operates, currently ranging from a statutory tax rate of 57.9% in Japan to 16.5% in Hong Kong. The Company is eligible to receive foreign tax credits in the U.S. for the amount of foreign taxes actually paid in a given period. In the event that the Company's operations in high tax jurisdictions such as Japan grow disproportionately to the rest of the Company's operations, the Company will be unable to fully utilize its foreign tax credits in the U.S., which could, accordingly, result in the Company paying a higher overall effective tax rate on its worldwide operations.

Because the Subsidiaries operate outside of the United States, the Company is subject to the jurisdiction of numerous foreign tax authorities. In addition to closely monitoring the Subsidiaries' locally based income, these tax authorities regulate and restrict various corporate transactions, including intercompany transfers. The Company believes that the tax authorities in Japan and South Korea are particularly active in challenging the tax structures of foreign corporations and their intercompany transfers. The Company is currently undergoing audits in South Korea. See "--Government Regulation of Products and Marketing; Import Restrictions" and "--Other Regulatory Issues." Although the Company believes that its tax and transfer pricing structures are in compliance in all material respects with the laws of every jurisdiction in which it operates, no assurance can be given that these structures will not be challenged by foreign tax authorities or that such challenges or any required changes in such structures will not have a material adverse effect on the Company's business or results of operations.

INCREASE IN DISTRIBUTOR COMPENSATION EXPENSE

Under the Licensing and Sales Agreements (the "Licensing and Sales Agreements") between each of the Subsidiaries and NSI, the Company, through its Subsidiaries, is contractually obligated to pay a distributor commission expense of 42% of commissionable product sales (with the exception of South Korea where, due to government regulations, the Company uses a formula based upon a maximum payout of 35% of commissionable product sales). The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42% of commissionable product sales in each country (except for South Korea). The 42% figure has been set on the basis of NSI's experience over the past eight years during which period actual commissions paid in a given year together with the cost of administering the Global Compensation Plan have ranged between 41% and 43% of commissionable product sales for such year (averaging approximately 42%). In the event that actual commissions payable to distributors from sales in the Company's markets vary from these historical results, whether as a result of changes in distributor behavior or changes to the Global Compensation Plan or in the event that NSI's cost of administering the Global Compensation Plan increases or decreases, the Licensing and Sales Agreements provide that the intercompany settlement figure may be modified to more accurately reflect actual results. This could result in the Company becoming obligated to make greater settlement payments to NSI under the Licensing and Sales Agreements. Such additional payments could adversely affect the Company's results of operations. Because the Company licenses the right to use the Global Compensation Plan from NSI, the structure of the plan, including commission rates, is under the control of NSI.

PRODUCT LIABILITY

The Company may be subject, under applicable laws and regulations, to liability for loss or injury caused by its products. The Company's Subsidiaries are currently covered for product liability claims to the extent of and under insurance programs maintained by NSI for their benefit and for the benefit of its affiliates purchasing NSI products. Accordingly, NSI maintains a policy covering product liability claims for itself and its affiliates with a \$1 million per claim and \$1 million annual aggregate limit and an umbrella policy with a \$40 million per claim and \$40 million annual aggregate limit. Although the Company has not been the subject of material product liability claims and the laws and regulations providing for such liability in the Company's markets appear to have been seldom utilized, no assurance can be given that the Company may not be exposed to future product liability claims, and, if any such claims are successful, there can be no assurance that the Company will be adequately covered by insurance or have sufficient resources to pay such claims. The Company does not currently maintain its own product liability policy.

COMPETITION

The markets for personal care and nutritional products are large and intensely competitive. The Company competes directly with companies that manufacture and market personal care and nutritional products in each of the Company's product lines. The Company competes with other companies in the personal care and nutritional products industry by emphasizing the value and premium quality of the Company's products and the convenience of the Company's distribution system. Many of the Company's competitors have much greater name recognition and financial resources than the Company. In addition, personal care and nutritional products can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other personal care and nutritional product companies. There can be no assurance that

the Company's business and results of operations will not be affected materially by market conditions and competition in the future.

The Company also competes with other direct selling organizations, some of which have longer operating histories and higher visibility, name recognition and financial resources. The leading network marketing company in the Company's markets is Amway Corporation and its affiliates. The Company competes for new distributors on the basis of the Global Compensation Plan and its premium quality products. Management envisions the entry of many more direct selling organizations into the marketplace as this channel of distribution expands over the next several years. The Company has been advised that certain large, well-financed corporations are planning to launch direct selling enterprises which will compete with the Company in certain of its product lines. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition.

The Company competes for the time, attention and commitment of its independent distributor force. Given that the pool of individuals interested in the business opportunities presented by direct selling tends to be limited in each market, the potential pool of distributors for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. Although management believes that the Company offers an attractive business opportunity, there can be no assurance that other network marketing companies will not be able to recruit the Company's existing distributors or deplete the pool of potential distributors in a given market.

OPERATIONS OUTSIDE THE UNITED STATES

The Company's revenues and most of its expenses are recognized primarily outside of the United States. Therefore, the Company is subject to transfer pricing regulations and foreign exchange control, taxation, customs and other laws. The Company's operations may be materially and adversely affected by economic, political and social conditions in the countries in which it operates. A change in policies by any government in the Company's markets could adversely affect the Company and its operations through, among other things, changes in laws, rules or regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, currency repatriation or imports, or the expropriation of private enterprises. Although the general trend in these countries has been toward more open markets and trade policies and the fostering of private business and economic activity, no assurance can be given that the governments in these countries will continue to pursue such policies or that such policies will not be significantly altered in future periods. This could be especially true in the event of a change in leadership, social or political disruption or upheaval, or unforeseen circumstances affecting economic, political or social conditions or policies. The Company is aware of news releases in South Korea in 1996, for example, reporting comments by political figures proposing restrictions on foreign direct sellers designed to protect the market share of local companies. There can be no assurance that such activities, or other similar activities in the Company's markets, will not result in passage of legislation or the enactment of policies which could materially adversely affect the Company's operations in these markets. In addition, the Company's ability to expand its operations into the new markets for which it has received an exclusive license to distribute NSI products will directly depend on its ability to secure the requisite government approvals and comply with the local government regulations in each of those countries. The Company has in the past experienced difficulties in obtaining such approvals as a result of certain actions taken by its distributors, and no assurance can be given that these or similar problems will not prevent the Company from commencing operations in those countries. See "--Entering New Markets."

ANTI-TAKEOVER EFFECTS OF CERTAIN CHARTER, CONTRACTUAL AND STATUTORY PROVISIONS

The Board of Directors is authorized, subject to certain limitations, to issue without further consent of the stockholders up to 25,000,000 shares of preferred stock with rights, preferences and privileges designated by the Board of Directors. See "Description of Capital Stock--Preferred Stock." In addition, the Company's Certificate of Incorporation requires the approval of 66 2/3% of the outstanding voting power of the Class A Common Stock and the Class B Common Stock to authorize or approve certain change of control

transactions. See "Description of Capital Stock--Common Stock--Voting Rights" and "--Mergers and Other Business Combinations." The Company's Certificate of Incorporation and Bylaws also contain certain provisions that limit the ability to call special meetings of stockholders and the ability of stockholders to bring business before or to nominate directors at a meeting of stockholders. See "Description of Capital Stock-- Other Charter and Bylaw Provisions." Pursuant to the 1996 Stock Incentive Plan, in the event of certain change of control transactions the Board of Directors has the right, under certain circumstances, to accelerate the vesting of options and the expiration of any restriction periods on stock awards. See "Management--1996 Stock Incentive Plan." Finally, the Operating Agreements with NSI and NSIMG are subject to renegotiation after December 31, 2001 upon a change of control of the Company. Any of these actions, provisions or requirements could have the effect of delaying, deferring or preventing a change of control of the Company. See "Business--Relationship with NSI--General Provisions."

The Company is subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" (which includes a merger of more than 10% of the corporations' assets) with an "interested stockholder" (a stockholder who, together with affiliates and associates, within the prior three years did own 15% or more of the corporation's outstanding voting stock) for three years following the date that such stockholder became an "interested stockholder," unless the "business combination" or "interested stockholder" is approved in a prescribed manner. A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of a substantial number of shares of Class A Common Stock in the public market following the Offerings could adversely affect the market price for the Class A Common Stock. See "Description of Capital Stock" and "Shares Eligible for Future Sale."

ABSENCE OF DIVIDENDS

The Company does not anticipate that any dividends will be declared on its Common Stock in the immediate future. The Company intends from time to time to re-evaluate this policy based on its net income and its alternative uses for retained earnings, if any. Any future declaration of dividends will be subject to the discretion of the Board of Directors of the Company and subject to certain limitations under the General Corporation Law of the State of Delaware. The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors of the Company. There can be no assurance regarding the timing or payment of any future dividends by the Company. It is anticipated that any dividends, if declared, will be paid in U.S. dollars. The Company, as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, the Subsidiaries to pay any cash dividends or distributions on the Class A Common Stock that may be authorized by the Board of Directors of the Company. See "--Reliance on Operations of and Dividends and Distributions from Subsidiaries" and "Dividend Policy."

USE OF PROCEEDS

All of the shares of Class A Common Stock to be sold in the Offerings are being sold by the Selling Stockholders, who will also bear the expenses of the Offerings. Consequently, the Company will not receive any of the proceeds from the Offerings.

DIVIDEND POLICY

The Company does not anticipate that any dividends will be declared on its Common Stock in the immediate future. The Company intends from time to time to re-evaluate this policy based on its net income and its alternative uses for retained earnings, if any. Any future declaration of dividends will be subject to the discretion of the Board of Directors of the Company and subject to certain limitations under the General Corporation Law of the State of Delaware (the "DGCL"). The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors of the Company. It is anticipated that any dividends, if declared, will be paid in U.S. dollars. The Company, as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, the Subsidiaries to pay any cash dividends or distributions on the Class A Common Stock that may be authorized by the Board of Directors of the Company. See "Certain United States Tax Consequences to Non-United States Holders." Holders of Class A Common Stock and holders of Class B Common Stock will share equally in any dividends declared by the Board of Directors. See "Risk Factors--Absence of Dividends" and "--Reliance on Operations of and Dividends and Distributions from Subsidiaries" and "Description of Capital Stock--Common Stock--Dividends" and "--Preferred Stock."

PRICE RANGE OF CLASS A COMMON STOCK

The Company's Class A Common Stock trades on the NYSE under the symbol "NUS" and was listed for the first time on November 21, 1996. Prior to that date, there was no public market for the Company's Class A Common Stock. The following table is based upon information available to the Company and sets forth the range of the high and low sales prices for the Company's Class A Common Stock.

	SALES PRICE	
	HIGH	LOW
1996		

Fourth Quarter (from November 21, 1996).....	\$ 30.88	\$ 26.50
1997		

First Quarter.....	\$ 30.88	\$ 23.00
Second Quarter (through June 3, 1997).....	\$ 28.25	\$ 23.75

The approximate number of holders of record of the Company's Class A Common Stock as of May 31, 1997 was 541. This number does not represent the actual number of beneficial owners of shares of the Company's Class A Common Stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares. The last reported sale price of the Class A Common Stock on the New York Stock Exchange on June 3, 1997, was \$26.75

CAPITALIZATION

The following table sets forth the cash and cash equivalents, the short-term debt and capitalization of the Company as of March 31, 1997, and as adjusted to reflect the conversion by the Selling Stockholders of 7,000,000 shares of Class B Common Stock into shares of Class A Common Stock for sale in the Offerings. Since the Company will not receive any proceeds from the Offerings, no additional adjustments to its capitalization will occur as a result of the Offerings. The information below should be read in conjunction with the Consolidated Financial Statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the pro forma financial statements included elsewhere in this Prospectus.

	AS OF MARCH 31, 1997	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	
Cash and cash equivalents(1).....	\$ 196,798	\$ 196,798
Short-term notes payable to related parties(1).....	\$ 81,487	\$ 81,487
Stockholders' equity:		
Preferred Stock, par value \$.001 per share, 25,000,000 shares authorized, no shares issued and outstanding.....	\$ --	\$ --
Class A Common Stock, par value \$.001 per share, 500,000,000 shares authorized, 11,723,011 and 18,723,011 shares issued and outstanding actual and as adjusted, respectively(2).....	12	19
Class B Common Stock, par value \$.001 per share, 100,000,000 shares authorized, 71,696,675 and 64,696,675 shares issued and outstanding actual and as adjusted, respectively.....	72	65
Additional paid-in capital.....	137,876	137,876
Cumulative foreign currency translation adjustment.....	(9,023)	(9,023)
Retained earnings.....	31,981	31,981
Deferred compensation(3).....	(17,781)	(17,781)
Note receivable from NSI(3).....	(13,139)	(13,139)
Total stockholders' equity.....	129,998	129,998
Total capitalization.....	\$ 129,998	\$ 129,998

(1) On April 4, 1997, the Company paid the \$71.5 million balance on the S Distribution Notes. The remaining \$10.0 million note payable to NSI related to the License Fee is due January 15, 1998.

(2) Excludes 1,605,000 shares of Class A Common Stock held by the Company and reserved for issuance upon exercise of the Distributor Options.

(3) Reflects estimated deferred compensation expense related to the Distributor Options and employee stock awards of \$17.8 million and a note receivable from NSI for the Distributor Options with an estimated principal balance of \$13.1 million.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following selected consolidated financial data and other information as of December 31, 1995 and 1996 and for the fiscal year ended September 30, 1994, for the three months ended December 31, 1994 and for the years ended December 31, 1995 and 1996 have been derived from the Company's Consolidated Financial Statements, which have been audited by Price Waterhouse LLP, independent accountants, included elsewhere in this Prospectus. The pro forma income statement data for the fiscal years ended December 31, 1995 and 1996 and for the three months ended March 31, 1996 have been derived from the Company's Unaudited Pro Forma Consolidated Statements of Income, included elsewhere in this Prospectus. The consolidated financial data as of September 30, 1993 and 1994 and as of December 31, 1994 are derived from the consolidated financial statements of the Company, which have been audited but are not contained herein. The financial data as of September 30, 1992 and for the fiscal year ended September 30, 1992 and for the year ended December 31, 1994 and as of March 31, 1997 and for the three months ended March 31, 1996 and 1997 are unaudited. Interim results, in the opinion of management, include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods; however, such results are not necessarily indicative of the results which may be expected for any other interim period or for a full year. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the related notes thereto included elsewhere in this Prospectus.

	YEAR ENDED SEPTEMBER 30,			THREE MONTHS ENDED	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED
	1992	1993	1994	DECEMBER 31, 1994	1994(1)	1995	1996	MARCH 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)								
INCOME STATEMENT DATA:								
Revenue.....	\$ 42,919	\$ 110,624	\$ 254,637	\$ 73,562	\$ 264,440	\$ 358,609	\$ 678,596	\$ 124,185
Cost of sales.....	14,080	38,842	86,872	19,607	82,241	96,615	193,158	34,815
Gross profit.....	28,839	71,782	167,765	53,955	182,199	261,994	485,438	89,370
Operating expenses:								
Distributor incentives.....	14,659	40,267	95,737	27,950	101,372	135,722	249,613	46,181
Selling, general and administrative.....	10,065	27,150	44,566	13,545	48,753	67,475	105,477	20,027
Distributor stock expense.....	--	--	--	--	--	--	1,990	--
Operating income.....	4,115	4,365	27,462	12,460	32,074	58,797	128,358	23,162
Other income (expense), net.....	160	133	443	(813)	(394)	511	2,833	274
Income before provision for income taxes.....	4,275	4,498	27,905	11,647	31,680	59,308	131,191	23,436
Provision for income taxes.....	1,503	417	10,226	2,730	10,071	19,097	49,494	8,686
Net income.....	\$ 2,772	\$ 4,081	\$ 17,679	\$ 8,917	\$ 21,609	\$ 40,211	\$ 81,697	\$ 14,750
Pro forma net income per share(2).....						\$.50	\$ 1.01	\$.18
Pro forma weighted average common shares outstanding.....						80,518	81,060	80,518

1997

INCOME STATEMENT DATA:	
Revenue.....	\$ 210,994
Cost of sales.....	60,741
Gross profit.....	150,253
Operating expenses:	
Distributor incentives.....	80,543
Selling, general and administrative.....	34,483
Distributor stock expense.....	4,477
Operating income.....	30,750
Other income (expense), net.....	1,770
Income before provision for income taxes.....	32,520
Provision for income taxes.....	12,032
Net income.....	\$ 20,488
Pro forma net income per share(2). \$	.24
Pro forma weighted average common	85,416

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
PRO FORMA INCOME STATEMENT DATA(3)(4):				
Revenue.....	\$ 358,609	\$ 678,596	\$ 124,185	\$ 210,994
Cost of sales.....	96,615	193,158	34,815	60,741
Gross profit.....	261,994	485,438	89,370	150,253
Operating expenses:				
Distributor incentives.....	135,722	249,613	46,181	80,543
Selling, general and administrative.....	74,433	111,802	21,740	34,483
Operating income.....	51,839	124,023	21,449	35,227
Other income(expense), net(5).....	(2,298)	3,602	341	1,770
Income before provision for income taxes.....	49,541	127,625	21,790	36,997
Provision for income taxes.....	19,005	44,700	7,631	13,689
Pro forma net income.....	\$ 30,536	\$ 82,925	\$ 14,159	\$ 23,308
Pro forma net income per share.....	\$.36	\$.97	\$.17	\$.27
Weighted average common shares outstanding(6).....	85,377	85,377	85,377	85,377

	AS OF SEPTEMBER 30,			AS OF DECEMBER 31,		
	1992	1993	1994	1994	1995	1996
(IN THOUSANDS)						
BALANCE SHEET DATA(7):						
Cash and cash equivalents.....	\$ 1,553	\$ 14,591	\$ 18,077	\$ 16,288	\$ 63,213	\$ 207,106
Working capital.....	1,026	(504)	15,941	26,680	47,863	66,235
Total assets.....	10,236	41,394	71,565	61,424	118,228	331,715
Short term notes payable to stockholders.....	--	--	--	--	--	71,487
Short term note payable to NSI.....	--	--	--	--	--	10,000
Long term note payable to NSI.....	--	--	--	--	--	10,000
Stockholders' equity.....	2,749	6,926	24,934	33,861	61,771	107,792

	AS OF MARCH 31, 1997					
BALANCE SHEET DATA(7):						
Cash and cash equivalents.....	\$ 196,798					
Working capital.....	77,936					
Total assets.....	342,078					
Short term notes payable to stockholders.....	71,487					
Short term note payable to NSI.....	10,000					
Long term note payable to NSI.....	--					
Stockholders' equity.....	129,998					

	AS OF SEPTEMBER 30,			AS OF DECEMBER 31,			AS OF MARCH 31,
	1992	1993	1994	1994	1995	1996	1996
OTHER INFORMATION(8):							
Number of active distributors.....	33,000	106,000	152,000	170,000	236,000	377,000	293,000
Number of executive distributors.....	649	2,788	5,835	6,083	7,550	20,483	10,323

	1997
OTHER INFORMATION(8):	
Number of active distributors.....	404,000
Number of executive distributors.....	23,449

(1) The information for the year ended December 31, 1994 is not included in the Company's Consolidated Financial Statements included elsewhere in this Prospectus. Such information has been presented for comparative purposes only.

(2) Reflects the weighted average number of common shares and common share equivalents outstanding during the periods presented assuming that the Company's Reorganization and the resultant issuance of 80,250,000 shares of Class B Common Stock occurred as of January 1, 1995. The weighted average

number of common shares and common share equivalents include: (i) an option granted to an executive officer of the Company to purchase 267,500 shares of Class A Common Stock prior to the Reorganization; (ii) the sale of 4,750,000 shares of Class A Common Stock by the Company in connection with the Initial Underwritten Offerings; (iii) the grant of awards for 109,000 shares of Class A Common Stock to certain employees of the Company during November and December 1996; and (iv) the award of 41,959 additional shares of Class A Common Stock to certain employees of the Company during January 1997.

- (3) As part of the Reorganization, several actions occurred which impacted the comparability of the historical financial results of the Company with the future results of the Company. Therefore, a pro forma presentation has been prepared to provide comparative data. The unaudited pro forma income statement data reflect the Reorganization as if such event had occurred as of January 1, 1995, and the following adjustments: (i) the amortization over a 20-year period of a \$25.0 million payment, consisting of \$5.0 million in cash and \$20.0 million in notes, to NSI for the exclusive rights to distribute NSI products in Thailand, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam; (ii) the recognition by the Company of additional charges of \$4.4 million for the year ended December 31, 1995, \$4.0 million for the year ended December 31, 1996 and \$1.1 million for the three months ended March 31, 1996, relating to certain support services provided to the Company by NSI and an NSI affiliate and certain other charges related to operating as a public company; (iii) estimated annual compensation expense of \$1.2 million related to the employee stock bonus awards granted to employees of the Company, NSI and its affiliates; and (iv) adjustments for U.S. Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception.

- (4) The unaudited pro forma income statement data do not reflect the estimated non-cash compensation expense totaling \$19.9 million in connection with the one-time grant of the Distributor Options at an exercise price of \$5.75 per share. \$2.0 million of such expense was recorded as actual distributor stock expense for the year ended December 31, 1996. An additional \$4.5 million of such expense was recorded for the three months ended March 31, 1997. Neither of these expenses has been included in the pro forma presentation. The granting and vesting of the Distributor Options are conditioned upon distributor performance under the Global Compensation Plan and the NSI 1996 Distributor Stock Option Plan. The vesting of the Distributor Options is scheduled to occur on December 31, 1997.
- (5) Pro forma other income and expense includes: (i) increased interest expense of \$2.7 million for the year ended December 31, 1995 relating to the issuance of the S Distribution Notes of \$86.5 million from the Subsidiaries' earned and undistributed S corporation earnings through the date of the termination of the Subsidiaries' S corporation status; (ii) increased interest expense of \$0.9 million for the year ended December 31, 1995 and \$0.1 million for the year ended December 31, 1996 and for the three months ended March 31, 1996, respectively, relating to the issuance of \$20.0 million in notes as partial payment of the License Fee payable to NSI; and (iii) increased interest income of \$0.8 million for the year ended December 31, 1995, \$0.8 million for the year ended December 31, 1996 and \$0.2 million for the three months ended March 31, 1996 relating to a note receivable from NSI with an estimated principal balance of \$13.1 million as consideration for the Distributor Options.
- (6) Reflects, as if all shares had been issued as of January 1, 1995, the following: (i) 80,250,000 common shares outstanding and common share equivalents after giving effect to the Reorganization; (ii) the sale by the Company of 4,750,000 shares of Class A Common Stock in the Initial Underwritten Offerings; (iii) the grant of awards for 109,000 shares of Class A Common Stock to certain employees of the Company; and (iv) an option granted to an executive officer of the Company to purchase 267,500 shares of Class A Common Stock. Supplemental income per share, calculated as if \$25.0 million of the proceeds from the Initial Underwritten Offerings were used to repay notes payable, had a dilutive effect of less than 2% and, therefore, is not presented.
- (7) As of March 31, 1997, the balance owing to NSI relating to the License Fee was \$10.0 million, and the balance of S Distribution Notes payable to the Selling Stockholders and certain of their affiliates in respect of the earned and undistributed taxable S corporation earnings and capital at November 19, 1996 was \$71.5 million. On April 4, 1997, the Company paid the \$71.5 million balance of the S Distribution Notes, together with the related accrued interest expense of \$1.6 million thereon.
- (8) Active distributors are those distributors who are resident in the countries in which the Company operates and who have purchased products during the three months ended as of the date indicated, rounded to the nearest thousand. An executive distributor is an active distributor who has submitted a qualifying letter of intent to become an executive distributor, achieved specified personal and group sales volumes for a four month period and maintained such specified personal and group sales volumes thereafter.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and the related notes thereto included elsewhere in this Prospectus.

GENERAL

Nu Skin Asia Pacific is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations, and in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where operations have not commenced. Until September 30, 1994, the Company's fiscal year ended on September 30 of each year. As of October 1, 1994, the Company changed its fiscal year end to December 31 of each year, beginning with the fiscal year ended December 31, 1995.

The Company's revenue is primarily dependent upon the efforts of a network of independent distributors who purchase products and sales materials from the Company in their local currency and who constitute the Company's customers. The Company recognizes revenue when products are shipped and title passes to these independent distributors. Revenue is net of returns, which have historically been less than 3.0% of gross sales. Distributor incentives are paid to several levels of distributors on each product sale. The amount and recipient of the incentive varies depending on the purchaser's position within the Global Compensation Plan. These incentives are classified as operating expenses. The following table sets forth revenue information for the time periods indicated. This table should be reviewed in connection with the tables presented under "Results of Operations" which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

COUNTRY	DATE OPERATIONS COMMENCED	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
		1994	1995	1996	1996	1997
(IN MILLIONS)						
Japan.....	April 1993	\$ 172.9	\$ 231.5	\$ 380.0	\$ 75.4	\$ 116.7
Taiwan.....	January 1992	79.2	105.4	154.6	32.4	46.3
South Korea.....	February 1996	--	--	122.4	11.1	40.0
Hong Kong.....	September 1991	10.9	17.1	17.0	4.2	4.2
Thailand.....	March 1997	--	--	--	--	2.7
Sales to NSI affiliates(1).....	January 1993	1.4	4.6	4.6	1.1	1.1
Total revenue.....		\$ 264.4	\$ 358.6	\$ 678.6	\$ 124.2	\$ 211.0

(1) Includes revenue from the sale of certain products to NSI affiliates in Australia and New Zealand.

Revenue generated in Japan and Taiwan represented 55.3% and 21.9%, respectively, of total revenue generated during the three months ended March 31, 1997. The Company's South Korean operations, which commenced in February 1996, generated 19.0% of total revenue for the three months ended March 31, 1997. Revenue generated in Hong Kong during the three months ended March 31, 1997 represented 2.0% of total Company revenue. Revenue from the first month of operations in Thailand represented 1.3% of total Company revenue for the three months ended March 31, 1997. Operating expenses have increased in each country with the growth of the Company's revenue.

Cost of sales primarily consists of the cost of products purchased from NSI (in U.S. dollars) as well as duties related to the importation of such products. Additionally, cost of sales includes the cost of sales

materials sold to distributors at or near cost. Sales materials are generally purchased in local currencies. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily to varying import duty rates levied on imported product lines. In each of the Company's current markets, duties are generally higher on nutritional products than on personal care products. Also, as currency exchange rates fluctuate, the Company's gross margin will fluctuate. In general, however, costs of sales move proportionately with revenue.

Distributor incentives are the Company's most significant expense. Pursuant to the Operating Agreements with NSI, the Company and the Subsidiaries are contractually obligated to pay a distributor commission expense of 42.0% of commissionable product sales (with the exception of South Korea, where, due to government regulations, the Company uses a formula based upon a maximum payout of 35.0% of commissionable product sales). The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42.0% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42.0%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42.0% of commissionable product sales in each country (except for South Korea). The 42.0% figure has been set on the basis of NSI's experience over the past eight years which indicates that actual commissions paid in a given year and the costs of administering the Global Compensation Plan (which have historically not exceeded 2% of revenue) together have averaged approximately 42.0% of commissionable product sales per year during such period. Because the Company's revenue includes sales of both commissionable and non-commissionable items, distributor incentives as a percentage of total revenue have ranged from approximately 36.8% to 38.4% since December 31, 1994. Non-commissionable items consist of sales materials and starter kits as well as sales to NSI affiliates in Australia and New Zealand.

In the fourth quarter of 1996, NSI and the Company implemented a one-time distributor equity incentive program. This global program provides for the granting of options to distributors to purchase 1.6 million shares of the Company's currently outstanding Class A Common Stock. The number of options each distributor receives will be based on their performance and productivity through August 31, 1997. The options are exercisable at a price of \$5.75 per share and will vest on December 31, 1997. As anticipated, the Company recorded a \$2.0 million charge for the year ended December 31, 1996 and a \$4.5 million charge for the three months ended March 31, 1997 and expects additional charges in 1997 of approximately \$13.4 million for the non-cash and non-recurring expenses associated with this program.

Selling, general and administrative expenses include wages and benefits, rents and utilities, travel and entertainment, promotion and advertising and professional fees, as well as license and management fees paid to NSI and NSIMG. Pursuant to the Operating Agreements, the Company contracts for management support services from NSIMG, for which the Company pays a fee equal to an allocation of expenses plus 3.0% of such expenses. In addition, the Company pays to NSI a license fee of 4.0% of the Company's revenue from sales to distributors (excluding sales of starter kits) for the use of NSI's distributor lists, distribution system and certain related intangibles.

Provision for income taxes is dependent on the statutory tax rates in each of the countries in which the Company operates. Statutory tax rates in the countries in which the Company has operations are 16.5% in Hong Kong, 25.0% in Taiwan, 30.0% in Thailand, 30.1% in South Korea and 57.9% in Japan. The Company operates a regional business center in Hong Kong, which bears inventory obsolescence and currency exchange risks. Any income or loss incurred by the regional business center is not subject to taxation in Hong Kong. In addition, since the Reorganization, the Company is subject to taxation in the United States, where it is incorporated, at a statutory corporate federal tax rate of 35.0%. However, the Company receives foreign tax credits in the U.S. for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes payable in the United States. See "Risk Factors--Taxation Risks and Transfer Pricing."

RESULTS OF OPERATIONS

The following tables set forth (i) operating results, and (ii) operating results as a percentage of revenue, respectively, for the periods indicated.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
	(IN MILLIONS)				
Revenue.....	\$ 264.4	\$ 358.6	\$ 678.6	\$ 124.2	\$ 211.0
Cost of sales.....	82.2	96.6	193.2	34.8	60.7
Gross profit.....	182.2	262.0	485.4	89.4	150.3
Operating expenses:					
Distributor incentives.....	101.4	135.7	249.6	46.2	80.5
Selling, general and administrative.....	48.8	67.5	105.4	20.0	34.5
Distributor stock expense.....	--	--	2.0	--	4.5
Operating income.....	32.0	58.8	128.4	23.2	30.8
Other income (expense), net.....	(.4)	.5	2.8	.3	1.7
Income before provision for income taxes.....	31.6	59.3	131.2	23.5	32.5
Provision for income taxes(1).....	10.0	19.1	49.5	8.7	12.0
Net income.....	\$ 21.6	\$ 40.2	\$ 81.7	\$ 14.8	\$ 20.5
Unaudited supplemental data(1):					
Net income before pro forma provision for income taxes.....	\$ 31.6	\$ 59.3	\$ 131.2	\$ 23.5	
Pro forma provision for income taxes.....	11.5	22.8	46.0	8.2	
Net income after pro forma provision for income taxes.....	\$ 20.1	\$ 36.5	\$ 85.2	\$ 15.3	

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	31.1	26.9	28.5	28.0	28.8
Gross profit.....	68.9	73.1	71.5	72.0	71.2
Operating expenses:					
Distributor incentives.....	38.4	37.8	36.8	37.2	38.2
Selling, general and administrative.....	18.4	18.8	15.5	16.1	16.3
Distributor stock expense.....	--	--	.3	--	2.1
Operating income.....	12.1	16.5	18.9	18.7	14.6
Other income (expense), net.....	(.1)	.1	.4	.2	.8
Income before provision for income taxes.....	12.0	16.6	19.3	18.9	15.4
Provision for income taxes(1).....	3.8	5.3	7.3	7.0	5.7
Net income.....	8.2%	11.3%	12.0%	11.9%	9.7%
Unaudited supplemental data(1):					
Net income before pro forma provision for income taxes.....	12.0%	16.6%	19.3%	18.9%	
Pro forma provision for income taxes.....	4.3	6.4	6.8	6.6	
Net income after pro forma provision for income taxes.....	7.7%	10.2%	12.5%	12.3%	

(1) Reflects adjustments for U.S. Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception. No adjustment is required for 1997 because the Company has been taxed as a C corporation for this period.

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1996

REVENUE increased 70% to \$211.0 million from \$124.2 million for the three months ended March 31, 1997 compared with the same period in 1996. This increase is primarily attributable to several factors. First, revenue in Japan increased by \$41.3 million, or 55%. This increase in revenue was primarily a result of continued growth of the IDN product line as well as increased sales following a distributor convention held in the first quarter of 1997. Second, revenue in Taiwan increased by \$13.9 million, or 43%, primarily as a result of growth in IDN sales following the late 1996 introduction of LIFEPAK. Third, revenue in South Korea increased by \$28.9 million, primarily as a result of a full quarter of operations in 1997 as compared to a partial quarter in 1996 following the commencement of operations in February. Fourth, the opening of business in Thailand in the first quarter of 1997 resulted in an additional \$2.7 million in revenue. Revenue in Hong Kong remained constant at \$4.2 million.

GROSS PROFIT as a percentage of revenue was 71.2% and 72.0% for the three months ended March 31, 1997 and 1996, respectively. This decrease reflected the strengthening of the U.S. dollar and the commencement of operations in South Korea in 1996. The Company purchases goods in U.S. dollars and recognizes revenue in local currency and is consequently subjected to exchange rate risks in its gross margins. The full quarter of operations in South Korea in 1997 also impacted gross profit as a percentage of revenue due to South Korean regulations which result in higher prices on imported products as compared to other markets.

DISTRIBUTOR INCENTIVES as a percentage of revenue increased to 38.2% for the three months ended March 31, 1997 from 37.2% for the three months ended March 31, 1996. The primary reason for this increase was a more developed distributor network in South Korea in 1997, which resulted in incentive payments closer to the 35.0% maximum Korean statutory limit. In addition, sales of non-commissionable items throughout the Company in 1997 were smaller as a percentage of sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES as a percentage of revenue increased to 16.3% for the three months ended March 31, 1997 from 16.1% for the three months ended March 31, 1996. This increase was primarily due to increased promotion expenses of \$2.0 million resulting from the first quarter distributor conventions and was offset somewhat by economies of scale gained as the Company's revenue increased.

DISTRIBUTOR STOCK EXPENSE of \$4.5 million reflects the one-time grant of the distributor stock options at an exercise price of \$5.75 per share. This non-cash expense is non-recurring and an estimated \$4.5 million will be recorded each quarter in 1997.

OPERATING INCOME increased 33% to \$30.8 million from \$23.2 million for the three months ended March 31, 1997 compared with the same period in 1996. This increase was caused primarily by an increase in revenue. Operating margin decreased from 18.7% to 14.6% for the three months ended March 31, 1997 compared with the same period in 1996. This margin decrease was caused primarily by the distributor stock expense, increased distributor incentives and lower gross margins.

OTHER INCOME increased by \$1.4 million for the three months ended March 31, 1997 compared with the same period in 1996. The increase was primarily caused by a net increase in interest income generated through the short-term investment of cash over interest expense related to the S Distribution Notes payable to stockholders, along with approximately \$0.5 million of unrealized exchange gains resulting from forward exchange contracts.

PROVISION FOR INCOME TAXES increased to \$12.0 million from \$8.7 million for the three months ended March 31, 1997 compared with the same period in 1996 due to increased income. The effective tax rate was 37.0% for the three months ended March 31, 1997 and 1996.

NET INCOME increased by \$5.7 million to \$20.5 million from \$14.8 million for the three months ended March 31, 1997 compared with the same period in 1996 due primarily to increased revenue. Net income as a percentage of revenue decreased to 9.7% for the three months ended March 31, 1997 as compared to 11.9% for the same period in 1996 due to the reduction in operating margin.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO THE YEAR ENDED DECEMBER 31, 1995

REVENUE was \$678.6 million during 1996, an increase of 89.2% from revenue of \$358.6 million recorded during 1995. This increase is primarily attributable to several factors. First, revenue in Japan increased by \$148.5 million, or 64.1%. This increase in revenue was primarily a result of the continued success of nutritional, color cosmetics and HAIRFITNESS products, which were introduced in October 1995. Revenue growth in Japan was partially offset by the strengthening of the U.S. dollar relative to the Japanese yen during 1996. Second, revenue in Taiwan increased by \$49.2 million, or 46.7%, primarily as a result of the introduction of color cosmetics and other products, including LIFEPAK in October 1996, along with the opening of a new distribution and walk-in center in Nankan, Taiwan. Third, in February 1996, Nu Skin Korea commenced operations and generated revenue of \$122.4 million for 1996. Finally, revenue in Hong Kong decreased by \$0.1 million during 1996 as compared to 1995, due to several leading Hong Kong distributors continuing to focus on other Asian markets.

GROSS PROFIT as a percentage of revenue was 71.5% and 73.1% during 1996 and 1995, respectively. This decline reflected the strengthening of the U.S. dollar, the introduction of nutritional products in Japan and the commencement of operations in South Korea in 1996. Nutritional products are generally subject to higher duties than other products marketed by the Company, which yields lower gross profit as a percentage of revenue. The commencement of operations in South Korea also impacted gross profit as a percentage of revenue due to South Korean regulations which result in higher prices on imported products than in other markets.

DISTRIBUTOR INCENTIVES as a percentage of revenue declined from 37.8% for 1995 to 36.8% for 1996. The primary reason for this decline was increased revenue from South Korea where local regulations limit the incentives which can be paid to South Korean distributors.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES as a percentage of revenue declined from 18.8% during 1995 to 15.5% during 1996. This decrease was primarily due to economies of scale gained as the Company's revenue increased.

DISTRIBUTOR STOCK EXPENSE of \$2.0 million reflects the one-time grant of the distributor stock options at an exercise price of \$5.75 per share. This non-cash expense is non-recurring and an estimated \$4.5 million will be recorded each quarter in 1997.

OPERATING INCOME during 1996 increased to \$128.4 million, an increase of 118.4% from the \$58.8 million of operating income recorded during 1995. Operating income as a percentage of revenue increased from 16.5% to 18.9%. This increase was caused primarily by lower selling, general and administrative expenses as a percentage of revenue.

OTHER INCOME increased by \$2.3 million during 1996 as compared to 1995. The increase was primarily caused by an increase in interest income generated through the short-term investment of cash.

PRO FORMA PROVISION FOR INCOME TAXES increased to \$46.0 million during 1996 compared to \$22.8 million during 1995. The effective tax rate decreased to 35.0% in 1996 as compared to 38.4% for 1995. The Company generated excess foreign tax credits in 1995 which did not continue in 1996.

NET INCOME AFTER PRO FORMA PROVISION FOR INCOME TAXES increased by \$48.7 million to \$85.2 million during 1996 compared to \$36.5 million during 1995. Pro forma net income as a percentage of revenue increased to 12.5% for 1996 as compared to 10.2% for 1995.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO THE YEAR ENDED DECEMBER 31, 1994

REVENUE was \$358.6 million during 1995, an increase of 35.6% from the \$264.4 million of revenue recorded during 1994. This increase was due primarily to an increased number of active and executive level distributors in each market, which was the primary factor contributing to a \$58.6 million increase in revenue in Japan, a \$26.2 million increase in revenue in Taiwan and a \$6.2 million increase in revenue in

Hong Kong. Nutritional products, color cosmetics products and a new line of HAIRFITNESS products were introduced in Japan in the fourth quarter of 1995, accounting for \$25.0 million of the \$58.6 million increase. Additionally, the Company benefitted by the strengthening of the Japanese yen during 1995. Revenue in Taiwan and Hong Kong increased as a result of a higher volume of sales of color cosmetics, which were introduced in late 1994, and other personal care products. Additionally, certain new product introductions by NSI affiliates in Australia and New Zealand led to a \$3.2 million increase in revenue from sales to affiliated entities.

GROSS PROFIT as a percentage of revenue increased from 68.9% in 1994 to 73.1% in 1995. The increase in gross profit resulted from a reduction in product costs on purchases from NSI, the weakening of the U.S. dollar relative to the Japanese yen and other cost savings related to inventory shipping and handling.

DISTRIBUTOR INCENTIVES as a percentage of revenue decreased from 38.4% in 1994 to 37.8% in 1995. This decline was primarily attributable to an increase in revenue in 1995 from non-commissionable sales materials and sales to NSI affiliates.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES as a percentage of revenue increased to 18.8% during 1995 from 18.4% during 1994. This increase was primarily due to a one-time cost incurred in February 1995 in connection with moving the Company's Japanese facilities into a larger, more accessible office and distributor center in Tokyo, Japan.

OPERATING INCOME increased to \$58.8 million in 1995 from \$32.0 million in 1994, an increase of 83.8%. Operating income as a percentage of revenue increased to 16.5% from 12.1%. The increase was primarily the result of the product cost reductions discussed above.

OTHER INCOME increased by approximately \$0.9 million during 1995 as compared to 1994. This increase was primarily caused by the disposal of property and equipment related to a move to new facilities during 1994, and an increase in interest income generated through the short term investment of cash.

PRO FORMA PROVISION FOR INCOME TAXES increased to \$22.8 million during 1995 as compared to \$11.5 million for 1994. The effective tax rate was 38.4% in 1995 as compared to 36.4% in 1994.

NET INCOME AFTER PRO FORMA PROVISION FOR INCOME TAXES increased by \$16.4 million to \$36.5 million during 1995 as compared to \$20.1 million for 1994. Net income as a percentage of revenue increased to 10.2% during 1995 as compared to 7.7% for 1994.

UNAUDITED PRO FORMA CONSOLIDATED RESULTS OF OPERATIONS

As part of the Reorganization, several actions occurred which impacted the comparability of the historical financial results of the Company with the future results of the Company. Therefore, a pro forma presentation has been prepared to provide comparative data. The following adjustments reflect the Reorganization as if such event had occurred as of January 1, 1995, and are reflected in the unaudited pro forma consolidated financial information set forth below: (i) the amortization over a 20-year period of a \$25.0 million payment, consisting of \$5.0 million in cash and \$20.0 million in notes, to NSI for the exclusive rights to distribute Nu Skin and IDN products in Thailand, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam; (ii) the recognition by the Company of additional charges of \$4.0 million relating to certain support services provided to the Company by NSI and an NSI affiliate and certain other charges related to operating as a public company; (iii) estimated annual compensation expense of \$1.2 million related to the employee stock bonus awards granted to employees of the Company; and (iv) adjustment for U.S. Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception. The unaudited pro forma combined financial information set forth below does not reflect the estimated non-cash compensation expense of \$19.9 million in connection with the one-time grant of the Distributor Options at an exercise price of \$5.75 per share. The Distributor Options include conditions related to the achievement of performance goals and will vest on December 31, 1997.

The following table sets forth the percentage of revenue represented by the specific components of income and expense on a pro forma basis for the periods presented.

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1996
	-----	-----
Revenue.....	100.0%	100.0%
Cost of sales.....	28.5	28.0
	-----	-----
Gross profit.....	71.5	72.0
Operating expenses:		
Distributor incentives.....	36.8	37.2
Selling, general and administrative.....	16.5	17.5
	-----	-----
Operating income.....	18.2	17.3
Other income (expense), net.....	.5	.3
	-----	-----
Income before provision for income taxes.....	18.7	17.6
Provision for income taxes.....	6.6	6.2
	-----	-----
Net income.....	12.1%	11.4%
	-----	-----

The Company is subject to taxation in the United States, where it is incorporated, at a statutory corporate federal tax rate of 35%. In addition, each Subsidiary is subject to taxation in the country in which it operates. The Company receives foreign tax credits for the amount of foreign taxes actually paid in a given period, which may be utilized to reduce taxes paid in the United States. In the event that the Company's operations in high tax jurisdictions such as Japan grow disproportionately to the rest of the Company's operations, the Company will be unable to fully utilize its foreign tax credits in the U.S. which could, accordingly, result in the Company paying a higher overall effective tax rate on its worldwide operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company underwent the Reorganization and the Initial Underwritten Offerings in November 1996. In connection with the Initial Underwritten Offerings, the Company raised \$98.8 million in net proceeds. As of the date of the Reorganization, the aggregate undistributed taxable S corporation earnings of the Subsidiaries were \$86.5 million. The Subsidiaries' earned and undistributed S corporation earnings through the date of termination of the Subsidiaries' S corporation status were distributed in the form of the S Distribution Notes, promissory notes bearing interest at 6.0% per annum. From the proceeds of the Initial Underwritten Offerings, \$15.0 million was used to pay a portion of the S Distribution Notes, leaving an unpaid S Distribution Note balance of \$71.5 million at March 31, 1997. On April 4, 1997 the Company paid the \$71.5 million balance on the S Distribution Notes, together with related accrued interest expense of \$1.6 million.

In November 1996, the Company purchased from NSI the distribution rights to seven new markets. These markets include Thailand, where operations commenced in March 1997, and, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where operations have not commenced. These rights were purchased for \$25.0 million, of which \$5.0 million was paid from the proceeds of the Initial Underwritten Offerings. During the three months ended March 31, 1997, an additional \$10.0 million was paid. At March 31, 1997, the Company had a \$10.0 million short term obligation due January 15, 1998 related to the purchase of these rights. Interest accrues at a rate of 6.0% per annum on amounts due under this obligation.

The Company anticipates using the remaining \$78.8 million in net proceeds from the Initial Underwritten Offerings for new market development, introducing new products, enhancing the Company's technological infrastructure, establishing additional office and distribution centers and for other general corporate purposes.

The Company generates significant cash flow from operations due to its significant growth, high margins and minimal capital requirements. Additionally, the Company does not extend credit to distributors, but requires payment prior to shipping products and accordingly does not have accounts receivable from distributors. During the three months ended March 31, 1997, the Company generated \$3.3 million of cash from operations compared to \$15.0 million during the three months ended March 31, 1996, respectively. The decrease in cash flow from operations is primarily due to the payment of income taxes during the first quarter of 1997 and the build-up of inventories to support future market demands.

As of March 31, 1997, working capital was \$77.9 million compared to \$66.2 million as of December 31, 1996, respectively. Cash and cash equivalents at March 31, 1997 were \$196.8 million compared to \$207.1 million at December 31, 1996.

Historically, the Company's principal need for funds has been for distributor incentives, working capital (principally inventory purchases), capital expenditures and the development of new markets. The Company has generally relied entirely on cash flow from operations to meet its business objectives without incurring long term debt to unrelated third parties.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were \$1.1 million and \$1.0 million for the three months ended March 31, 1997 and 1996, respectively. In addition, the Company anticipates capital expenditures through 1998 of an additional \$23.9 million to further enhance its infrastructure, including computer systems and software, warehousing facilities and walk-in distributor centers in order to accommodate future growth.

As a part of the Company's and NSI's strategy to motivate distributors with equity incentives, the Company sold to NSI an option to purchase 1.6 million shares of the Company's currently outstanding Class A Common Stock. NSI purchased the option with a 10-year note payable to the Company bearing interest at 6.0% per annum with an estimated principal balance of \$13.1 million. It is anticipated that the note will be repaid as distributors begin to exercise their options beginning in 1998.

Under the Operating Agreements with NSI, the Company records related party receivables and payables. The Company had related party payables of \$70.0 million and \$46.3 million at March 31, 1997 and December 31, 1996, respectively. In addition, the Company had related party receivables of \$7.7 million and \$8.0 million, respectively, at those dates. Related party balances outstanding in excess of 60 days bear interest at a rate of 2% above the U.S. prime rate. As of March 31, 1997, no material related party payables or receivables had been outstanding for more than 60 days.

Management considers the Company to be liquid and able to meet its obligations on both a short and long-term basis. Management believes existing cash balances together with future cash flows from operations will be adequate to fund cash needs relating to the implementation of the Company's strategic plans, including opening new markets and funding the notes payable to NSI related to the purchase of the distribution rights.

SEASONALITY AND CYCLICALITY

While neither seasonal nor cyclical variations have materially affected the Company's results of operations to date, the Company believes that its rapid growth may have overshadowed these factors. Accordingly, there can be no assurance that seasonal or cyclical variations will not materially adversely affect the Company's results of operations in the future.

The direct selling industry is impacted by certain seasonal trends such as major cultural events and vacation patterns. For example, Japan, Taiwan, Hong Kong, South Korea and Thailand celebrate their respective local New Year in the Company's first quarter. Management believes that direct selling in Japan is also generally negatively impacted during August, when many individuals traditionally take vacations.

Generally, the Company has experienced rapid revenue growth in each new market from the commencement of operations. In Japan, Taiwan and Hong Kong, the initial rapid growth was followed by a short period of stable or declining revenue followed by renewed growth fueled by new product introductions, an increase in the number of active distributors and increased distributor productivity. The Company believes that a similar pattern is currently occurring in its operations in South Korea, where the Company anticipates a significant decline in its second quarter revenue from revenue in the first quarter of 1997. See "--Outlook." In addition, the Company may experience variations on a quarterly basis in its results of operations, as new products are introduced and new markets are opened. No assurance can be given that the Company's revenue growth rate in Thailand, which commenced operations in March 1997, or in new markets where operations have not commenced, will follow this pattern.

QUARTERLY RESULTS

The following table sets forth certain unaudited quarterly data for the periods shown.

	1995				1996			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER(1)	1ST QUARTER(2)	2ND QUARTER	3RD QUARTER	

	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)							
Revenue.....	\$ 77.7	\$ 80.5	\$ 83.2	\$ 117.2	\$ 124.2	\$ 163.5	\$ 183.6	
Gross profit.....	57.3	59.7	60.3	84.7	89.4	117.4	130.9	
Operating income.....	13.5	15.0	12.8	17.5	23.2	31.9	37.5	
Net income.....	9.3	10.3	8.1	12.5	14.8	20.3	25.2	
Net income per share(4).....	0.11	0.13	0.10	0.16	0.18	0.25	0.32	

	1997	
	4TH QUARTER	1ST QUARTER(3)

Revenue.....	\$ 207.3	\$ 211.0
Gross profit.....	147.7	150.3
Operating income.....	35.8	30.8
Net income.....	21.4	20.5
Net income per share(4).....	0.26	0.24

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- (1) LIFEPAK, NU COLOUR and HAIRFITNESS products were introduced in Japan during October 1995.
 - (2) The Company commenced operations in South Korea in February 1996.
 - (3) The Company commenced operations in Thailand in March 1997.
 - (4) Net income per share is computed based on 80,517,500 shares of Common Stock and Common Stock equivalents outstanding prior to the Reorganization and the Initial Underwritten Offerings and 82,689,000 weighted average shares of Common Stock outstanding for the fourth quarter of 1996 and 85,415,600 for the first quarter of 1997.

CURRENCY FLUCTUATION AND EXCHANGE RATE INFORMATION

The Company's revenues and most of its expenses are recognized primarily outside of the United States. Each entity's local currency is considered its functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, the Company's reported sales and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar.

The Company purchases inventory from NSI in U.S. dollars and assumes currency exchange rate risk with respect to such purchases. Local currency in Japan, Taiwan, Hong Kong, South Korea and Thailand is generally used to settle non-inventory transactions with NSI. Given the uncertainty of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on its future business, product pricing, results of operations or financial condition. However, because nearly all of the Company's revenue is realized in local currencies and the majority of its cost of sales is denominated in U.S. dollars, the Company's gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening in the U.S. dollar. In order to offset recent strengthening of the U.S. dollar, the Company implemented price increases of from 5% to 9% on average during the second quarter of 1997. There can be no assurance that the Company will be able to effect additional price increases in the future to offset the impact of future currency fluctuations. In addition, the Company reduces a portion of its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts. The Company does not use such financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results.

Following are the weighted average currency exchange rates of \$1 into local currency for each of the Company's markets for the quarters listed:

	1995				1996		
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	1ST QUARTER	2ND QUARTER	3RD QUARTER
Japan(1).....	96.2	84.4	94.2	101.5	105.8	107.5	109.0
Taiwan.....	26.2	25.6	27.0	27.2	27.4	27.4	27.5
Hong Kong.....	7.7	7.7	7.7	7.7	7.7	7.7	7.7
South Korea(1).....	786.9	763.1	765.6	769.1	782.6	786.5	815.5
Thailand.....	24.9	24.6	24.9	25.1	25.2	25.3	25.3

	1997	
	4TH QUARTER	1ST QUARTER
Japan(1).....	112.9	121.4
Taiwan.....	27.5	27.5
Hong Kong.....	7.7	7.7
South Korea(1).....	829.4	863.9
Thailand.....	25.5	26.0

(1) Between December 31, 1996 and May 15, 1997, the exchange rates of \$1 into Japanese yen and South Korean won achieved highs of 127.1 yen and 899.0 won, respectively, and lows of 115.4 yen and 839.4 won, respectively. Since January 1, 1992, the highest and lowest exchange rates for the Japanese yen have been 134.8 and 80.6, respectively, and for the South Korean won have been 899.0 and 755.8, respectively.

OUTLOOK

Management believes that implementation of its business strategies will lead to continued growth in local currency revenue in Japan, Taiwan and Hong Kong. The Company currently anticipates that sequential revenue in South Korea will decline significantly in the second quarter compared to the first quarter of 1997 while the local distributor leadership develops and the global distributor leadership focuses attention on the Thailand market opening, as well as their own local markets. The Company expects that this anticipated decline in South Korean revenue will be offset by revenue gains in the Company's other markets in the second quarter.

The Company believes that the anticipated revenue decline is partially reflective of the typical business cycle experienced in new markets and partially the result of other factors specific to South Korea. These other factors include recent activities by the South Korean government and campaigns by a coalition of consumer protection and trade organizations against producers of luxury and foreign goods, in general, and certain network marketing companies, in particular, that have drawn negative media attention. Although the Company has not been the focus of these campaigns, management believes that the media attention has negatively impacted the business environment generally. See "--Potential Effects of Adverse Publicity." An additional factor which the Company believes may contribute to the anticipated second quarter revenue decline in South Korea is the focus of key distributors on other recently-opened markets, including Thailand. Management expects the planned introduction into the South Korean market of IDN products in late 1997 to stimulate revenue growth in South Korea. The future productivity of Thailand is difficult to assess because operations commenced in March 1997. In addition, the Company will incur additional selling, general and administrative expenses in 1997 compared to 1996 because of a full year's operations as a public company. Management currently anticipates that the distributor equity program will result in a distributor stock expense estimated at \$17.9 million in 1997 and will not continue thereafter.

The statements made above in this section under the caption "Outlook" that are not historical facts are "forward-looking statements" as defined in the Reform Act. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. Factors that might cause such differences include, but are not limited to, risks and uncertainties associated with management of the Company's growth, the Company's dependence on independent distributors and the effects on distributors of the NSI distributor equity program, potential adverse effects of the Company's planned price increases on sales and distributor growth, the Company's planned expansion into new markets and the introduction of new products in the Company's existing markets, fluctuations in foreign currency values relative to the U.S. dollar and risks inherent in the importation and regulation and sale of products in the Company's markets. See "Risk Factors."

GENERAL

Nu Skin Asia Pacific is a rapidly growing network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for NSI in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations, and in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where operations have not commenced.

The Company believes it is one of the fastest growing network marketing companies in Asia. Revenue increased 69.9% to \$211.0 million for the three months ended March 31, 1997 from \$124.2 million for the same period in 1996. Net income increased 38.5% to \$20.5 million for the three months ended March 31, 1997 from \$14.8 million for the same period in 1996. Revenue increased 89.2% to \$678.6 million for the year ended December 31, 1996 from \$358.6 million in 1995. Operating expenses have increased with the growth of the Company's revenue. Net income increased 103.2% to \$81.7 million for the year ended December 31, 1996 from \$40.2 million in 1995. The Company's network of independent distributors has grown since the Company's inception in 1991 to more than 400,000 active distributors as of March 31, 1997. See "Risk Factors--Managing Growth."

A great deal of the Company's success to date can be directly attributed to the growth of its Japanese business in recent years. Significant revenue was recognized from the outset of the Company's operations in Japan in 1993 due to the immediate attention given to the market by leading NSI distributors from around the world. Japan has continued to post strong financial results for the Company, with revenue increasing by approximately 64% in U.S. dollars and 90% in local currency for 1996 compared to 1995 and by approximately 55% in U.S. dollars and 76% in local currency for the three months ended March 31, 1997 compared to the same period in 1996. Given the size of the direct selling market in Japan and the growing Japanese demand for the Company's products, management believes that there is still significant opportunity for expansion of its share of this market.

The Company's product philosophy is to combine the best of science and nature in developing premium quality, innovative personal care and nutritional products which are specifically designed for the network marketing distribution channel. The Company offers products in two distinct categories: personal care products, marketed under the trademark "Nu Skin," and nutritional products, marketed under the trademark "Interior Design Nutritionals or "IDN." The Nu Skin personal care product lines include facial care, body care, hair care and color cosmetics, as well as specialty products such as sun protection, oral hygiene and fragrances. The IDN product lines include nutritional supplements, nutritious and healthy snacks, sports and fitness nutritional products, and botanical supplements.

In Japan, Taiwan and Hong Kong, the Company currently offers most of the Nu Skin personal care products and approximately one-third of the IDN products including LIFEPAK, the core IDN nutritional supplement. In South Korea and Thailand, the Company currently offers approximately one-half and one-third, respectively, of the Nu Skin personal care products and none of the nutritional products. The Company believes that it can significantly grow its business and attract new customers by expanding its product offerings in each of its markets to include more of the existing Nu Skin personal care and IDN products. In addition to expanding its product offerings with existing Nu Skin personal care and IDN products, the Company intends to introduce new products tailored to specific markets.

OPERATING STRENGTHS

The Company believes that its success is due to its reputation and its commitment to provide a wide range of premium quality, innovative personal care and nutritional products and an appealing global business opportunity for persons interested in establishing a direct sales business. The Company has been able to achieve rapid, sustained and profitable growth by capitalizing on the following operating strengths:

PREMIUM PRODUCT OFFERINGS. The Company is committed to continue building its brand name and distributor and customer loyalty by selling premium quality, innovative personal care and nutritional products that appeal to broad markets and the universal desire for health and beauty. This commitment is illustrated by the Company's personal care products slogan "All of the Good and None of the Bad" and its nutritional products slogan "Adding Life to Years." The Company offers products designed for the direct selling channel by focusing on innovative consumable products which build loyalty and lead to repeat purchases. Management believes that the Company's focus on innovative products supports its distributors' demonstrative and educational sales techniques.

GLOBAL DISTRIBUTOR COMPENSATION PLAN. The Company believes that one of the strengths of the Global Compensation Plan is its seamless integration across all markets in which Nu Skin and IDN products are sold. By entering into international sponsoring agreements with NSI, distributors are authorized to sponsor new distributors in each country where NSI or the Company has operations. This allows distributors to receive commissions for sales in foreign countries at the same rate as for sales in their home country. This is a significant benefit to distributors because they are not required to establish new distributorships or requalify for higher levels of commissions within each new country in which they begin to operate. The seamless integration of the Global Compensation Plan means that distributor knowledge and experience can be used to rapidly build distributor leadership in new markets. See "Risk Factors--Reliance Upon Independent Distributors of NSI."

HIGH LEVEL OF DISTRIBUTOR INCENTIVES. The Company believes that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies and consequently tends to attract a high caliber of distributors. There are two fundamental ways in which distributors can earn money: (i) through retail markups, for which the Company recommends a range from 43% to 60%; and (ii) through a series of commissions on each product sale which can result in commissions to distributors aggregating up to 58% of such product's wholesale price. On a global basis, however, commissions have averaged 42% of revenue from commissionable sales over the last eight years. See "Risk Factors--Increase in Distributor Compensation Expense."

NEW MARKET DEVELOPMENT PROGRAM. The Company has developed a low cost, disciplined approach to opening new markets. Each market opening is preceded by a thorough analysis of economic and political conditions, regulatory standards and other business, tax and legal issues. Prior to a market opening, the Company's management team, in conjunction with NSI support personnel, local legal counsel and tax advisors, works to obtain all necessary regulatory approvals and establish facilities capable of meeting distributor needs. This market development approach, combined with the Global Compensation Plan, which motivates distributors to train and sponsor other distributors to sell products in new markets, has enabled the Company to quickly and successfully open new markets. See "Risk Factors--Entering New Markets."

DISTRIBUTOR SUPPORT PROGRAMS. The Company is committed to providing a high level of support services tailored to the needs of its distributors in each market. The Company meets the needs and builds the loyalty of its distributors with personalized distributor service and a support staff that assists distributors as they build networks of downline distributors. The Company provides walk-in, telephonic and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. Distributors purchase directly from the Company, are not required to maintain inventories to supply down line distributors and are supported by a liberal product return policy. In addition, each walk-in center maintains meeting rooms which distributors may utilize in training and sponsoring activities.

RELATIONSHIP WITH NSI. NSI, founded in 1984 and based in Provo, Utah, is engaged in selling personal care and nutritional products and, together with its affiliates, comprises one of the largest network marketing organizations in the world. NSI has provided, and will continue to provide, a high level of support services to the Company, including product development, marketing and other managerial support services. Management believes that the Company's relationship with NSI has allowed the Company to

increase revenue and net income at rates that otherwise may not have been possible. Since distributor agreements are entered into between NSI and distributors, all of the distributors who generate revenue for the Company are distributors of NSI. The Company primarily relies on NSI to enforce distributor policies and procedures. NSI's distributor network is licensed by NSI to the Subsidiaries. See "Risk Factors-- Relationship with and Reliance on NSI; Potential Conflicts of Interest."

EXPERIENCED MANAGEMENT TEAM. The Company's senior management team, members of which founded NSI, has been instrumental in successfully managing the growth in revenue and net income experienced by the Company to date. The Company has also attracted experienced local general managers or presidents to oversee operations in Japan, Taiwan, Hong Kong, South Korea and Thailand. The local general managers are frequently recognized as industry leaders and are experienced in dealing with governmental and regulatory agencies.

Consideration of the Company's operating strengths should be made in connection with various risks, including risks associated with the Company's reliance on its independent distributors and the effect on the Company's operations of adverse publicity regarding the Company and actions of distributors, risks associated with product liability and government regulation of the Company's products, marketing plan and direct selling generally, the Company's reliance on NSI and on outside manufacturers, competition and the adverse impact on net income of an increase in distributor compensation expense. See "Risk Factors."

GROWTH STRATEGY

The Company's primary objective is to capitalize on its operating strengths to become a leading distributor of premium quality consumer products in each of its markets. Specifically, the Company's strategy to increase revenue and net income is as follows:

INTRODUCE NEW PRODUCTS. Because new products tend to increase sales by existing distributors and attract new distributors, the Company intends to continue introducing existing and new Nu Skin personal care and IDN products. The Company first introduced nutritional products, for example, in Japan in 1995 where they have grown to represent approximately 32% of revenue. In addition the Company introduced LIFEPAK in Taiwan and Hong Kong in October 1996 and January 1997, respectively. The Company expects to launch a number of IDN products, including LIFEPAK, in South Korea by the end of 1997, subject to regulatory approval. The Company also intends to introduce products tailored to specific demographic and geographic market segments and will consider introducing entirely new product categories in the future. See "Risk Factors--Government Regulation of Products and Marketing."

OPEN NEW MARKETS. The Company will continue to pursue attractive new market opportunities. In March 1997, the Company commenced operations in Thailand. The Company has made significant progress in its development efforts in the Philippines and anticipates a potential opening in the first half of 1998. The Company has conducted preliminary investigations on the feasibility of commencing operations in Indonesia, Malaysia, the PRC, Singapore and Vietnam. The Company believes that these countries may represent significant markets for the future expansion of its operations, provided that the Company can secure the required regulatory and business permits. See "Risk Factors--Entering New Markets," "--Potential Negative Impact of Distributor Actions," "--Government Regulation of Direct Selling Activities" and "--Government Regulation of Products and Marketing."

ATTRACT NEW DISTRIBUTORS AND ENHANCE DISTRIBUTOR PRODUCTIVITY. To date, the Company has enjoyed significant growth in the number of its executive distributors (defined as those active distributors whose group of downline distributors meet certain monthly qualification requirements). By leveraging its operating strengths, the Company intends to continue to create and maintain a business climate to promote the growth in the number of executive distributors and to increase distributor retention, motivation and productivity. In addition, the Company will pursue growth in the number of executive distributors by

continuing to work with NSI to enhance the Global Compensation Plan, implementing an innovative distributor equity incentive program, opening 2 or more new distributor walk-in centers by the end of 1997 to provide a local presence in additional key cities, enhancing distributor training and recognition programs, and targeting inactive distributors via direct marketing who may still have an interest in the Company's business opportunity or products. See "Business--Distribution System."

INCREASE BRAND AWARENESS AND LOYALTY. The Company intends to increase brand awareness and loyalty, and sales to new and existing consumers, through (i) increasing marketing and promotional efforts focused on the Nu Skin and IDN brands, including the use of celebrity spokespersons such as Christie Brinkley, the 1995-1996 Miss Thailand and high profile Olympic and world class athletes, (ii) increased use of respected professional product advisers to promote existing products and develop new product offerings, (iii) increasing the availability of sample packages, (iv) emphasizing product "systems," such as the HAIRFITNESS system of various shampoos and conditioners, which leads to the purchase of multiple products rather than a single product, and (v) implementing systems designed to promote repeat product purchases.

Consideration of the Company's growth strategy should be made in connection with certain risks associated with such growth strategy including risks related to opening new markets and managing growth, conducting operations outside of the United States, managing currency risks and complying with import restrictions and government regulations regarding the Company's products, marketing plan, and direct selling generally. See "Risk Factors."

FORWARD-LOOKING STATEMENTS

The statements in this section under the captions "Business--General," "--Operating Strengths" and "--Growth Strategy" that are not historical facts are "forward-looking statements" as defined in the Reform Act. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. Factors that might cause such differences include, but are not limited to, risks and uncertainties associated with management of the Company's growth, the Company's dependence on independent distributors and the effects on distributors of the NSI distributor equity program, potential adverse effects of the Company's planned price increases on sales and distributor growth, the Company's planned expansion into new markets and the introduction of new products in the Company's existing markets, fluctuations in foreign currency values relative to the U.S. dollar, risks inherent in the importation and regulation and sale of products in the Company's markets. See "Risk Factors."

INDUSTRY OVERVIEW

The distribution of products through the network marketing and other direct selling channels has grown significantly in recent years. The WFDSA reports that, since 1990, worldwide direct distribution of goods and services to consumers has increased 76%, resulting in the sale of nearly \$80 billion of goods and services in 1996. According to the WFDSA, \$35 billion of goods and services were sold by its members in 1996 through direct selling channels in the markets in which the Company currently operates, which represents 44% of the global volume of direct sales by its members. The Company believes that extended family relationships, the family culture and the extended social networks common in Asian countries are particularly well suited to the Company's network marketing methods. The Company also believes that a variety of recent social and economic changes which have occurred throughout Asia have had a positive impact on the Company's revenues and net income. Trends that have benefited the Company include the emergence of a greater interest on the part of some Asians in pursuing more independent entrepreneurial activities outside traditional business settings, an increase in the number of Asian women joining the work force and an increase in the number of Asians seeking supplemental income from alternative sources.

The Asian retail market is generally characterized by fragmented distribution and numerous small retailers. In Japan, these problems are further exacerbated by the multi-tiered, traditional Japanese

distribution system which has proven difficult for many foreign manufacturers to penetrate. Outside of Japan, the general lack of a developed distribution infrastructure throughout Asia has fostered and encouraged the growth of direct selling as a significant distribution channel. Given this environment, the Company believes that the high level of personal service provided by direct selling companies, including convenient in-home demonstrations, easy-access product ordering, timely delivery and generous product return policies, provides additional value to consumers. In addition, rapidly growing Asian economies and a growing demand in Asia for Western brand name products has fueled the growth and demand for high quality consumer products.

COUNTRY PROFILES

The following table sets forth the Company's revenue and the total number of active distributors for each of the countries in which the Company operated for the years ended December 31, 1995 and 1996 and for the three months ended March 31, 1996 and 1997. This table should be reviewed in connection with the information presented under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," which discusses the costs associated with generating the aggregate revenue presented.

COUNTRY	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
(DOLLARS IN THOUSANDS)				
Revenue:				
Japan.....	\$ 231,540	\$ 380,044	\$ 75,373	\$ 116,662
Taiwan.....	105,415	154,564	32,378	46,313
South Korea(1).....	--	122,337	11,137	40,005
Hong Kong.....	17,046	17,037	4,243	4,225
Thailand(2).....	--	--	--	2,729
Total(3).....	\$ 354,001	\$ 673,982	\$ 123,131	\$ 209,934
Active Distributors(4)(5):				
Japan.....	147,000	215,000	166,000	229,000
Taiwan.....	75,000	91,000	84,000	85,000
South Korea(1).....	--	57,000	30,000	57,000
Hong Kong.....	14,000	14,000	13,000	14,000
Thailand(2).....	--	--	--	19,000
Total.....	236,000	377,000	293,000	404,000

(1) The Company commenced operations in South Korea in February 1996.

(2) The Company commenced operations in Thailand in March 1997.

(3) Total revenue does not include sales of certain products to NSI affiliates in Australia and New Zealand of \$4.6 million in 1995 and in 1996 and \$1.1 million for the first three months of 1996 and for the same period in 1997. Operating expenses have increased with the growth of the Company's revenue.

(4) The term "Active Distributors" includes only those distributors who purchased products from the Company during the three months ended as of the date indicated.

(5) Numbers are rounded to the nearest thousand.

The following table sets forth certain estimated economic and demographic data in each of the Company's markets. Although the Company believes that the following table provides a useful basis for evaluating the relative size and growth of the economies and populations of the countries in which the Company operates, no assurance can be given that economic or population data in a particular country will indicate what the Company's results of operations will be in that country.

COUNTRY	1996 POPULATION (IN MILLIONS)	1996 GDP (IN BILLIONS OF \$)	1996 GDP PER CAPITA (IN \$)	REAL GDP GROWTH 1996/1995 (%)
Japan.....	125.5	\$ 4,575.2	\$ 36,456	3.6
Taiwan.....	21.5	270.5	12,583	5.6
South Korea.....	45.3	497.6	10,984	6.9
Hong Kong.....	6.3	158.7	25,108	4.6
Thailand.....	61.8	185.0	2,993	6.7

Source: World Information Services; Country Data Forecasts, March 1997.

JAPAN. The Company, through its subsidiary Nu Skin Japan, commenced operations in Japan in April 1993. According to the WFDSA, the direct selling channel in Japan generated sales of approximately \$30 billion of goods and services in 1996, making Japan the largest direct selling market in the world. Management believes that as many as six million people are involved in direct selling businesses in Japan. Direct selling is well-understood in Japan and is governed by detailed government regulation. See "Risk Factors--Government Regulation of Direct Selling Activities" and "--Government Regulation of Products and Marketing."

A great deal of the Company's success to date can be directly attributed to the growth of its Japanese business in recent years. Significant revenue was recognized from the outset of the Company's operations in Japan due to the immediate attention given to the market by leading NSI distributors from around the world. Japan has continued to post strong financial results for the Company, with revenue increasing by approximately 64% in U.S. dollars and 90% in local currency for 1996 compared to 1995 and by approximately 55% in U.S. dollars and 76% in local currency for the three months ended March 31, 1997 compared to the same period in 1996. Management believes that the increase for the three months ended March 31, 1997 was primarily the result of a doubling of executive distributors in Japan during this period and the increasing demand for IDN products, which accounted for 32% of revenue for the period. Furthermore, given the size of the direct selling market in Japan and the growing Japanese demand for the Company's products, management believes that there is still significant opportunity for revenue growth in this market. Nu Skin Japan currently offers 62 of the 89 Nu Skin personal care products and 11 of the 36 IDN products, including LIFEPAK, the core IDN product. Additionally, Nu Skin Japan also offers 4 popular skin lightening products and 7 additional face care products designed specifically for Japanese consumers.

In support of the Company's growth strategy, Nu Skin Japan intends to (i) focus on internal country development by opening offices in additional Japanese cities, thereby increasing consumer awareness and enhancing the Company's image, (ii) expand development capacity to develop more products that are particularly suited to the Japanese market, (iii) continue to expand the current product offerings in Japan to include additional Nu Skin personal care and IDN products, and (iv) enhance corporate support of distributors by upgrading information technology resources.

TAIWAN. The Company, through its subsidiary Nu Skin Taiwan, commenced operations in Taiwan in January 1992. According to the WFDSA, the direct selling channel in Taiwan generated approximately \$2 billion in sales of goods and services in 1995, of which 43% were nutritional products. Currently, two million people (approximately 10% of the population) are estimated to be involved in direct selling. Since a significant percentage of its population is involved in direct selling activities, the Taiwanese government regulates direct selling activities to a significant extent. For example, the Taiwan government has enacted

tax legislation aimed at ensuring proper tax payments by distributors on their transactions with end consumers. See "Risk Factors--Government Regulations of Direct Selling Activities" and "--Government Regulation of Products and Marketing."

Revenue growth in Taiwan has averaged 47% per year since the commencement of operations in 1992. The Company believes that the recent increase in sales is primarily due to (i) the opening of walk-in centers in Kaohsiung and Taichung, (ii) increased distributor training and recognition, and (iii) increased product offerings. Based on information provided by the Taiwan Direct Selling Association, as of 1995, Nu Skin Taiwan had captured approximately 31% and 1% of the market for personal care products and nutritional supplements, respectively, sold through the direct selling channel. Nu Skin Taiwan currently offers 61 of the 89 Nu Skin personal care products and 10 of the 36 IDN products.

In support of the Company's growth strategy, Nu Skin Taiwan intends to (i) capitalize on the size of the nutritional supplements market by promoting the recently introduced LIFEPAK product and expanding the current product offerings in Taiwan to include additional Nu Skin personal care and IDN products, in particular FIBRENET, which, subject to regulatory approval, is scheduled for introduction in Taiwan by the end of 1997, (ii) focus more resources on product development specifically for the Taiwan market, and (iii) enhance corporate support of distributors by upgrading information technology resources.

HONG KONG. The Company, through its subsidiary Nu Skin Hong Kong, commenced operations in Hong Kong in September 1991. According to the WFDSA, the direct selling channel in Hong Kong generated approximately \$78 million in sales of goods and services in 1995. Hong Kong represents an important market in the structure of the Asian region because it serves as the location of the Company's regional office and is an important base of operations for many of the Company's most successful distributors, whose downline distributor networks extend into other Asian markets. Nu Skin Hong Kong currently offers 84 of the 89 Nu Skin personal care products and 16 of the 36 IDN products.

Hong Kong is currently a British Crown Colony and is scheduled to become a Special Administrative Region (SAR) of the PRC effective July 1, 1997. The further integration of the Hong Kong economy and political system with the economy and political system of the PRC could have an impact on the Company's business in Hong Kong. See "Risk Factors--Possible Adverse Effect on the Company of a Change in the Status of Hong Kong."

In February 1995, Macau, a Portuguese colony scheduled to become an SAR of the PRC in 1999, was opened as a new market. Revenue figures for Macau are combined with those of Hong Kong. Macau represents the smallest of the Company's markets in population with just under 500,000 residents. The Company's Macau office operates under the direction of Nu Skin Hong Kong.

In support of the Company's growth strategy, Nu Skin Hong Kong intends to (i) promote distributor growth, retention and leadership development through local initiatives, (ii) capitalize on the size of the nutritional supplements market by promoting the recently introduced LIFEPAK product and expanding the current product offerings in Hong Kong to include additional Nu Skin personal care and IDN products, and (iii) stimulate purchases from inactive distributors through direct mail campaigns.

SOUTH KOREA. The Company, through its subsidiary Nu Skin Korea, commenced operations in South Korea in February 1996. According to the WFDSA, the direct selling channel in South Korea generated approximately \$1.7 billion in sales of goods and services in 1995. South Korea's direct sales legislation, which went into effect in July 1995, requires companies to comply with numerous provisions, such as local registration, reporting of certain operating results and dissemination to distributors of certain information regarding the laws. See "Risk Factors--Government Regulations of Direct Selling Activities" and "--Government Regulation of Products and Marketing."

The Company had sales in South Korea of approximately \$122 million and \$40 million for 1996 and the first three months of 1997, respectively, making the Company the second largest direct seller in the country. Nu Skin Korea currently offers 43 of the 89 Nu Skin personal care products and none of the IDN

products. Nu Skin Korea was among the first foreign-owned firms to register and begin operations under the new direct selling legislation. Management believes that significant competition may soon enter the South Korean market. See "Risk Factors--Competition."

The Company believes that revenue from its South Korean operations is following a pattern similar to that experienced by the Company in certain of its other markets, where initial rapid revenue growth has been followed by a short period of stable or declining revenue. The Company anticipates a significant decline in its second quarter revenue in South Korea from revenue in the first quarter of 1997. The Company expects that this anticipated decline in South Korean revenue will be offset by revenue gains in the Company's other markets in the second quarter.

The Company believes that the anticipated revenue decline is partially reflective of the typical business cycle experienced in new markets and partially the result of other factors specific to Korea. These other factors include recent activities by the South Korean government and campaigns by a coalition of consumer protection and trade organizations against producers of luxury and foreign goods, in general, and certain network marketing companies, in particular, that have drawn negative media attention. Although the Company has not been the focus of these campaigns, management believes that the media attention has negatively impacted the business environment generally. See "--Potential Effects of Adverse Publicity." An additional factor which the Company believes may contribute to the anticipated second quarter revenue decline in South Korea is the focus of key distributors on other recently-opened markets, including Thailand.

In support of the Company's growth strategy, Nu Skin Korea intends to (i) continue the strategic introduction of Nu Skin personal care products in each quarter of 1997 and introduce IDN products, including LIFEPAK, by late 1997, (ii) engage in targeted promotional and public relations activities designed to address concerns regarding the current business environment for direct selling companies, (iii) promote the development of local distributor leadership, including focused training efforts, compensation plan modifications and the introduction of distributor productivity programs, (iv) engage in the local manufacturing of certain products to partially alleviate concerns about the high level of goods being imported into South Korea by the Company, and (v) build the local distributor support infrastructure, including the hiring of key staff members and adding additional walk-in centers in major South Korean cities to support the Company's rapid growth to date.

THAILAND. The Company, through its subsidiary, Nu Skin Thailand, commenced operations in Thailand on March 13, 1997. According to the WFDSA, direct sales in 1996 totaled \$800 million in Thailand, making it the fourteenth largest direct selling market worldwide. The Company's opening in Thailand was supported by more than 200 of NSI's highest ranking distributors, many of whom are from Taiwan and other Asian markets. Nu Skin Thailand currently offers 26 of the 89 Nu Skin personal care products and none of the IDN products.

In Thailand, the Company intends to (i) systematically introduce additional Nu Skin personal care products throughout the remainder of 1997, (ii) promote the Company's brand image through public relations efforts, including the endorsement of Nu Skin personal care products by the 1995-1996 Miss Thailand, (iii) train new distributors in the most effective methods of marketing the Company's products and in becoming effective leaders within the Global Compensation Plan framework, and (iv) build the Company's infrastructure to support growth in the market by adding additional walk-in centers in strategic locations in Bangkok and in other major cities.

NEW MARKET OPPORTUNITIES

The Company has developed a low cost, disciplined approach to opening new markets. Each market opening is preceded by a thorough analysis of economic and political conditions, regulatory standards and other business, tax and legal issues. Prior to a market opening, the Company's management team, in conjunction with NSI support personnel, local legal counsel and tax advisors, works to obtain all necessary

regulatory approvals and establish facilities capable of meeting distributor needs. This approach, combined with NSI's global distributor compensation plan (the "Global Compensation Plan"), which motivates distributors to sponsor and train other distributors to sell products in new markets, has enabled the Company to quickly and successfully open new markets.

The Company, as a matter of policy, does not announce the timing of its opening of new markets. The Company has the right to be the exclusive distributor of NSI products in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam. The Company believes that these countries collectively represent significant markets for future expansion. There are, however, significant risks and uncertainties associated with this expansion. The regulatory and political climate in these potential markets is such that a replication of the Company's current operating structure cannot be guaranteed. For example, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. In addition, because the Company's personal care and nutritional product lines are positioned as premium product lines, the market potential for the Company's product lines in relatively less developed countries, such as the PRC and Vietnam, remains to be determined. Modifications to each product line may be needed to accommodate the market conditions in each country, while maintaining the integrity of the Company's products. No assurances can be given that the Company will be able to make such modifications. Given existing regulatory environments and economic conditions, the Company's entrance into Singapore and Vietnam is not anticipated in the short to mid-term. See "Risk Factors--Entering New Markets" and "--Government Regulation of Products and Marketing; Import Restrictions."

The following table sets forth certain estimated economic and demographic data in each of the countries for which the Company has an exclusive license but in which the Company has not commenced operations. Although the Company believes that the following table provides a useful basis for evaluating the relative size and growth of the economies and populations of the countries in which the Company intends to operate, no assurance can be given that economic or population data in a particular country will indicate what the Company's results of operations will be in that country.

COUNTRY	1996 POPULATION (IN MILLIONS)	1996 GDP (IN BILLIONS OF \$)	1996 GDP PER CAPITA (IN \$)	REAL GDP GROWTH 1996/1995 (%)
Indonesia.....	197.4	224.5	\$ 1,137	7.8
Malaysia.....	20.5	97.2	4,751	8.2
PRC.....	1,236.0	808.2	654	9.7
Philippines.....	72.0	83.2	1,156	5.5
Singapore.....	3.0	93.2	30,771	7.0
Vietnam.....	76.3	26.1	342	9.3

SOURCE: World Information Services; Country Data Forecasts, March 1997.

INDONESIA. Although historically not open to foreign investment opportunities, Indonesia has experienced a recent update emphasis on deregulation and private enterprise and an average annual growth in GDP of 6% from 1985 to 1994. The Indonesian Direct Selling Association reports that there are 750,000 participants in direct selling in the country. Management believes that the combination of the above factors creates an attractive opportunity for expansion.

MALAYSIA. According to the WFDSA, more than \$640 million in goods and services were sold through the direct selling channel in Malaysia in 1995. There are currently numerous direct selling companies operating in Malaysia. In October 1995, the Company's business permit applications were denied by the Malaysian government as the result of activities by certain NSI distributors before required government approvals could be secured. See "Risk Factors--Potential Negative Impact of Distributor Actions" and "--Potential Effects of Adverse Publicity." Management is reevaluating the time frame in which it will reapproach the Malaysian market.

PRC. With the PRC's large population and the Company's success in the neighboring and Chinese-speaking countries of Hong Kong and Taiwan, management believes that the PRC will be an attractive market for the Company. The PRC government and local jurisdictions have recently initiated rules and regulations for network marketing companies. The Company is actively researching these and other issues including potential manufacturing alternatives related to the commencement of operations in the PRC. The Company believes that it will be able to comply with these regulations in operating a network marketing business in the PRC. See "--Government Regulation--Regulation of Products and Marketing; Import Restrictions."

PHILIPPINES. Even though the per capita GDP in the Philippines is low, the Company believes that there is demand for premium personal care and nutrition products, especially near Manila, the capital city, which, in 1996, had a population of 10 million. Management believes that nearly \$500 million of goods and services are sold annually through the direct selling channel and that more than 20 international direct selling companies currently operating in the Philippines.

SINGAPORE. In Singapore, relatively high levels of GDP per capita indicate that the country enjoys strong consumer buying power and a dynamic market structure similar to, yet smaller than, Hong Kong. Although direct selling activities are permitted, currently network marketing is not allowed in Singapore. Accordingly, the Company's entrance into Singapore is not anticipated in the short to mid-term. See "--Government Regulation--Regulation of Products and Marketing; Import Restrictions."

VIETNAM. The Company believes that there is little or no direct selling activity in Vietnam. However, the country is moving towards a market-based economy and has recently adopted a freely convertible currency. The Company anticipates that the increase in free enterprise will help to develop the direct selling channel. However, given existing regulatory, environmental and economic conditions, the Company's entrance into Vietnam is not anticipated in the short to mid-term.

DISTRIBUTION SYSTEM

OVERVIEW OF DISTRIBUTION SYSTEM. The foundation of the Company's sales philosophy and distribution system is network marketing. Under most network marketing systems, distributors purchase products for retail sale and personal consumption. Pursuant to the Global Compensation Plan, products are sold exclusively to or through independent distributors who are not employees of the Company or NSI. Distributors contract directly with NSI, and NSI makes such distributors available to the Company through Licensing and Sales Agreements. See "--Relationship with NSI" and "Certain Relationships and Related Transactions."

Network marketing is an effective vehicle to distribute the Company's products because (i) a consumer can be educated about a product in person by a distributor, which is more direct than the use of television and print advertisements; (ii) direct sales allow for actual product testing by a potential consumer; (iii) the impact of distributor and consumer testimonials is enhanced; and (iv) as compared to other distribution methods, distributors can give customers higher levels of service and attention, by, among other things, delivering products directly to a consumer and following up on sales to ensure proper product usage and customer satisfaction, and to encourage repeat purchases. Under most network marketing systems, independent distributors purchase products for resale and for personal consumption.

Direct selling as a distribution channel has been enhanced in the past decade due to advancements in communications, including telecommunications, and the proliferation of the use of videos and fax machines. Direct selling companies can now produce high quality videos for use in product education, demonstrations and sponsoring sessions that project a desired image for the Company and the product line. Management believes that high quality sales aids play an important role in the success of distributor efforts. For this reason, NSI maintains an in-house staff of video production personnel and video and audio cassette duplication equipment for timely and cost-effective production of sales materials. These facilities

and expertise are available for the Company's use. Management is committed to fully utilizing current and future technological advances to continue enhancing the effectiveness of direct selling.

NSI's network marketing program differs from many other network marketing programs in several respects. First, the Global Compensation Plan allows NSI distributors to develop a seamless global network of downline distributors. Second, NSI's order and fulfillment systems eliminate the need for distributors to carry significant levels of inventory. Third, the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies, and can result in commissions to distributors aggregating up to 58% of a product's wholesale price. On a global basis, commissions have averaged 42% of revenue from commissionable sales over the last eight years. Because the Company licenses the right to use the Global Compensation Plan from NSI, the structure of the plan, including commission rates, is largely under the control of NSI. See "Risk Factors--Increase in Distributor Compensation Expense."

The Company's revenue is directly dependent upon the efforts of distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. Because the distributors have contracted directly with NSI, the Company primarily relies on NSI to enforce distributor policies and procedures. There can be no assurance that the productivity or number of distributors will be sustained at current levels or increased in the future. See "Risk Factors--Reliance Upon Independent Distributors of NSI." Furthermore, the Company estimates that, as of March 31, 1997, approximately 340 distributorships worldwide comprised NSI's Hawaiian Blue Diamond and Blue Diamond executive distributor levels, which are NSI's two highest executive distributor levels and, together with their extensive downline networks, account for substantially all of the Company's revenue. Consequently, the loss of such a high-level distributor or another key distributor, together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could adversely affect the Company's results of operations. See "Risk Factors--Reliance on Certain Distributors; Potential Divergence of Interests between Distributors and the Company."

SPONSORING. The Company relies solely on NSI distributors to sponsor new distributors. While the Company provides, at cost, product samples, brochures, magazines and other sales materials, distributors are primarily responsible for educating new distributors with respect to products, the Global Compensation Plan, and how to build a successful distributorship.

The sponsoring of new distributors creates multiple levels in the network marketing structure. Persons whom a distributor sponsors are referred to as "downline" or "sponsored" distributors. If downline distributors also sponsor, they create additional levels in the structure, but their downline distributors remain part of the same downline network as their original sponsoring distributor. See "Risk Factors--Reliance on Certain Distributors; Potential Divergence of Interests between Distributors and the Company."

Sponsoring activities are not required of distributors. However, because of the financial incentives provided to those who succeed in building a distributor network, the Company believes that most of its distributors attempt, with varying degrees of effort and success, to sponsor additional distributors. Generally, distributors invite friends, family members and acquaintances to sales meetings where Company products are presented and where the Global Compensation Plan is explained. People are often attracted to become distributors after using Company products and becoming regular retail customers. Once a person becomes a distributor, he or she is able to purchase products directly from the Company at wholesale prices for resale to consumers or for personal consumption. The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users.

A potential distributor must enter into a standard distributor agreement with NSI which obligates the distributor to abide by NSI's policies and procedures. Additionally, in all countries except Japan, a new distributor is required to enter into a product purchase agreement with the Company's local subsidiary, which governs product purchases. In Japan, Taiwan and Hong Kong, distributors are also required to purchase a starter kit, which includes NSI's policies and procedures, for between \$55 and \$85, which

essentially represents the cost of producing the starter kit. In South Korea and Thailand, distributors are not required to purchase a starter kit.

GLOBAL COMPENSATION PLAN. Management believes that one of the Company's key competitive advantages is the Global Compensation Plan, which it licenses from NSI. Distributors receive higher levels of commissions as they advance under the Global Compensation Plan. The Global Compensation Plan is seamlessly integrated across all markets in which Nu Skin personal care and IDN products are sold, which allows distributors to receive commissions for global product sales, rather than merely local product sales. This seamless integration means that the Company's distributor base has global reach and that the knowledge and experience resident in current distributors can be used to build distributor leadership in new markets. Outside of the Company's markets, NSI currently has affiliated operations in the U.S., the United Kingdom, Puerto Rico, Canada, Australia, New Zealand, Ireland, Germany, France, the Netherlands, Belgium, Italy, Spain, Mexico and Guatemala. Allowing distributors to receive commissions at the same rate for sales in foreign countries as for sales in their home country is a significant benefit to distributors because they are not required to establish new distributorships or requalify for higher levels of commissions within each new country in which they begin to operate, which is frequently the case under the compensation plans of the Company's major competitors. Under the Global Compensation Plan, a distributor is paid consolidated monthly commissions in the distributor's home country, in local currency, for product sales in that distributor's global downline distributor network. Current and future distributor lists have been licensed by NSI to the Company pursuant to Licensing and Sales Agreements. See "--Relationship with NSI" and "Certain Relationships and Related Transactions."

The Global Compensation Plan allows an individual the opportunity to develop a business, the success of which is based upon that individual's level of commitment, time, enthusiasm, personal skills, contacts, and motivation. For many, a distributorship is a very small business, in which products may be purchased primarily for personal consumption and for resale to relatively few customers. For others, a distributorship becomes a full-time occupation.

HIGH LEVEL OF DISTRIBUTOR INCENTIVES. Based upon its knowledge of network marketing distributor compensation plans, the Company believes that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. There are two fundamental ways in which distributors can earn money: (i) through retail markups, for which the Company recommends a range from 43% to 60%; and (ii) through a series of commissions on product sales, which can result in commissions to distributors aggregating up to 58% of such product's wholesale price. On a global basis, however, commissions have averaged 42% of revenue from commissionable sales over the last eight years. See "Risk Factors--Increase in Distributor Compensation Expense."

Each product carries a specified number of sales volume points. Commissions are based on total personal and group sales volume points per month. Sales volume points are essentially based upon a product's wholesale cost, net of any point of sale taxes. As a distributor's retail business expands and as he or she successfully sponsors other distributors into the business who in turn expand their own businesses, he or she receives a higher percentage of commissions.

Once a distributor becomes an executive, the distributor can begin to take full advantage of the benefits of commission payments on personal and group sales volume. To achieve executive status, a distributor must submit a qualifying letter of intent and achieve specified personal and group sales volumes for a four-month period of time. To maintain executive status, a distributor must generally also maintain specified personal and group sales volumes each month. An executive's commissions increase substantially as multiple downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors that can be included in an executive's group increases as the number of executive distributorships directly below the executive increases.

As of the dates indicated below, the Company had the following number of executive distributors:

TOTAL NUMBER OF EXECUTIVE DISTRIBUTORS

COUNTRY	AS OF DECEMBER 31,					AS OF MARCH 31,	
	1992	1993	1994	1995	1996	1996	1997
Japan.....	--	2,459	3,613	4,017	10,169	6,252	12,535
Taiwan.....	551	1,170	2,093	3,014	5,098	3,579	5,251
South Korea.....	--	--	--	--	4,675	--	5,112
Thailand.....	--	--	--	--	--	--	--
Hong Kong.....	164	275	377	519	541	492	551
Total.....	715	3,904	6,083	7,550	20,483	10,323	23,449

On a monthly basis, the Company and NSI evaluate requests for exceptions to the Global Compensation Plan. While the general policy is to discourage exceptions, management believes that the flexibility to grant such exceptions is critical in retaining distributor loyalty and dedication. In each market, distributor services personnel evaluate each such instance and appropriate recommendations are made to NSI.

DISTRIBUTOR SUPPORT. The Company is committed to providing a high level of support services tailored to the needs of its distributors in each market. The Company meets the needs and builds the loyalty of its distributors with personalized distributor service, a support staff that assists distributors as they build networks of downline distributors, and a liberal product return policy. Because many distributors have only a limited number of hours each week to concentrate on their Nu Skin business, management believes that maximizing a distributor's efforts through effective support of each distributor has been and will continue to be important to the success of the Company.

Through training meetings, annual conventions, distributor focus groups, regular telephone conference calls and personal contacts with distributors, the Company seeks to understand and satisfy the needs of each distributor. The Company provides walk-in, telephonic and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. In addition, the Company is committed to evaluating new ideas in technology and services, such as automatic product reordering, that the Company can provide to distributors. The Company currently utilizes voicemail, teleconferencing and fax services. Global Internet access (including Company and product information, ordering abilities and group and personal sales volume inquiries) is anticipated to be provided to distributors in the future. Each walk-in center maintains meeting rooms which distributors may utilize in training and sponsoring activities.

RULES AFFECTING DISTRIBUTORS. NSI's standard distributor agreement, policies and procedures, and compensation plan contained in every starter and/or introductory kit outline the scope of permissible distributor marketing activities. The Company's distributor rules and guidelines are designed to provide distributors with maximum flexibility and opportunity within the bounds of governmental regulations regarding network marketing. Distributors are independent contractors and are thus prohibited from representing themselves as agents or employees of NSI or the Company. Distributors are obligated to present the Company's products and business opportunity ethically and professionally. Distributors agree that the presentation of the Company's business opportunity must be consistent with, and limited to, the product claims and representations made in literature distributed by the Company. No medical claims may be made regarding the products, nor may distributors prescribe any particular product as suitable for any specific ailment. Even though sponsoring activities can be conducted in many countries, distributors are prohibited from conducting marketing activities outside of countries in which NSI and the Company conduct business and are not allowed to export products from one country to another. See "Risk Factors-- Potential Negative Impact of Distributor Actions."

Distributors must represent that the receipt of commissions is based on substantial efforts. Exhibiting commission statements or checks is prohibited. Sales aids such as videotapes, promotional clothing, pens, stationary and other miscellaneous items must be produced or pre-approved by the Company or NSI.

Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by the Company. Generic business opportunity advertisements (without using either the Company or the NSI names) may be placed in accordance with certain guidelines in some countries. NSI logos and names may not be permanently displayed on physical premises. Distributors may not use NSI trademarks or other intellectual property of NSI without NSI's consent.

Products may not be sold, and the business opportunity may not be promoted, in traditional retail environments such as food markets, pharmacies and drugstores. Nor may business be conducted at conventions, trade shows, flea markets, swap meets, and similar events. Distributors who own or are employed by a service-related business such as a doctor's office, hair salon, or health club, may make products available to regular customers as long as products are not displayed visibly to the general public in such a way as to attract the general public into the establishment to purchase products.

Generally, distributors can receive commission bonuses only if, on a monthly basis (i) the distributor achieves at least 100 points (approximately U.S. \$100) in personal sales volume, (ii) the distributor documents retail sales to at least five retail customers, (iii) the distributor sells and/or consumes at least 80% of personal sales volume, and (iv) the distributor is not in default of any material policies or procedures.

NSI systematically reviews alleged reports of distributor misbehavior. If NSI determines that a distributor has violated any of the distributor policies or procedures, it may either terminate the distributor's rights completely or impose sanctions such as warnings, probation, withdrawal or denial of an award, suspension of privileges of a distributorship, fines or penalties, withholding commissions until specified conditions are satisfied, or other appropriate injunctive relief. Distributor terminations based on violations of NSI's policies and procedures have aggregated less than 1% of the Company's distributor force since inception. Distributors may voluntarily terminate their distributorship at any time.

PAYMENT. Distributors generally pay for products prior to shipment. Accordingly, the Company carries no accounts receivable from distributors. Distributors pay for products in one of several ways. Cash, which represents a large portion of all payments, is received by order takers in the distribution center when orders are personally picked up by a distributor. In addition, in Japan cash is sent through the mail using a postal cash envelope. The Company also accepts payment through the use of credit cards. This method of payment is very popular in Hong Kong and Taiwan and is expected to increase in popularity in South Korea. Another form of payment utilized in Japan is a Tososhin card, which is essentially a distributor credit card utilized to place orders. Bank wire transfers are also popular throughout Asia, particularly in Japan.

PRODUCT SUMMARY

The Company offers products in two distinct categories: personal care products, marketed under the trademark "Nu Skin," and nutritional products, marketed under the trademark "Interior Design Nutritionals" (IDN). The Company is entitled to distribute NSI products in specified Asian countries pursuant to a Regional Distribution Agreement. See "--Relationship with NSI" and "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest." NSI markets 89 different personal care and 36 different nutritional products, of which 84 and 19, respectively, were available in at least one of the Company's markets as of March 31, 1997. Nearly all products sold by the Company are purchased from NSI, with the exception of a line of 11 personal care products which are produced locally in Japan. In addition to products, the Company offers a variety of sales aids, including items such as starter kits, introductory kits, brochures, product catalogs, videotape and personal care accessories. See "Risk Factors--Product Liability."

The following chart indicates how many of the Nu Skin personal care and IDN products were available as of March 31, 1997 in each of the Company's current markets.

NU SKIN PERSONAL CARE AND IDN PRODUCT OFFERINGS

PRODUCT CATEGORIES/PRODUCT LINES	TOTAL PRODUCTS OFFERED	PRODUCTS OFFERED BY THE COMPANY			
		JAPAN	TAIWAN	HONG KONG	SOUTH KOREA
Nu Skin Personal Care:					
Facial Care.....	20	13(1)	13	18	11
Body Care.....	12	10	9	12	7
Hair Care.....	14	13	13	13	12
Color Cosmetics.....	13	10	10	13	8
Specialty.....	30	16	16	28	5
	--	--	--	--	--
Total.....	89	62	61	84	43
	--	--	--	--	--
IDN:					
Nutritional Supplements.....	16	4	3	3	--
Nutritious and Healthy Snacks.....	8	2	4	5	--
Sports and Fitness Nutritional Products.....	4	1	--	--	--
Botanical Supplements.....	8	4	3	8	--
	--	--	--	--	--
Total.....	36	11	10	16	--
	--	--	--	--	--

PRODUCT CATEGORIES/PRODUCT LINES	THAILAND
Nu Skin Personal Care:	
Facial Care.....	9
Body Care.....	7
Hair Care.....	10
Color Cosmetics.....	0
Specialty.....	0
Total.....	26
	--
IDN:	
Nutritional Supplements.....	--
Nutritious and Healthy Snacks.....	--
Sports and Fitness Nutritional Products.....	--
Botanical Supplements.....	--
Total.....	--
	--

(1) In Japan, the Company also sells 11 locally sourced personal care products.

Presented below are the dollar amount and percentage of revenue of each of the two product categories and other sales aid revenue for the years ended December 31, 1995 and 1996 and the three months ended March 31, 1997.

REVENUE BY PRODUCT CATEGORY

PRODUCT CATEGORY	YEAR ENDED DECEMBER 31, 1995		YEAR ENDED DECEMBER 31, 1996		THREE MONTHS ENDED MARCH 31, 1997	
	\$	%	\$	%	\$	%
(DOLLARS IN THOUSANDS)						
Nu Skin personal care.....	\$ 303,387	84.6%	\$ 493,609	72.8%	\$ 144,954	68.7%
IDN.....	23,959	6.7	138,593	20.4	53,556	25.4
Sales aids.....	31,263	8.7	46,394	6.8	12,484	5.9
Total.....	\$ 358,609	100.0%	\$ 678,596	100.0%	\$ 210,994	100.0%

NU SKIN PERSONAL CARE PRODUCTS

The Company's current Nu Skin personal care products category is divided into the following lines: facial care, body care, hair care and color cosmetics, as well as specialty products, such as sun protection, oral hygiene and fragrances. Each of the Subsidiaries markets a variety of the 89 personal care products currently offered by NSI. The Company also offers product sets that include a variety of products in each product line as well as small, sample-size packages to facilitate product sampling by potential consumers. The product sets are especially popular during the opening phase of a new country, where

distributors and consumers are anxious to purchase a variety of products, and during holiday and gift giving seasons in each market. The Company anticipates the introduction of additional personal care products into each market, based on the likelihood of the particular product's success in the market as well as applicable regulatory approvals. See "Risk Factors--Government Regulation of Products and Marketing."

The Nu Skin personal care products offered in Taiwan and Hong Kong are substantially the same formulations of the products offered by NSI in the U.S. In Japan and South Korea, however, most of the products have been reformulated to satisfy certain regulatory requirements with respect to product ingredients and preservatives and to meet the preferences of Japanese and South Korean consumers.

The following is a brief description of each line within the Nu Skin personal care product category offered by the Company as of March 31, 1997:

FACIAL CARE. The goal of the facial care line is to allow users to cleanse thoroughly without causing dryness and to moisturize with effective humectants that allow the skin to attract and retain vital water. The Company's facial care line currently consists of 20 different products: CLEANSING LOTION, FACIAL SCRUB, EXFOLIANT SCRUB, FACIAL CLEANSING BAR, CLAY PACK, PH BALANCE FACIAL TONER, NAPCA MOISTURIZER, REJUVENATING CREAM, CELLTRET (called HYLATRET in Japan and South Korea), INTENSIVE EYE COMPLEX, HPX HYDRATING GEL, FACE LIFT AND ACTIVATOR (two formulas for sensitive and normal skin), JUNGAMALS LIP BALM, CLARIFEX CLEANSING SCRUB, CLARIFEX MUD, ALPHA EXTRA FACE, NU COLOUR EYE MAKEUP REMOVER, MHA REVITALIZING LOTION, MHA REVITALIZING LOTION with SPF 15 and INTERIM MHA DIMINISHING GEL. In addition, Nu Skin Japan also offers a line of four popular skin lightening products and seven additional facial care products designed particularly for Japanese consumers.

BODY CARE. The Company's line of body care products relies on premium quality ingredients to cleanse and condition skin. The cleansers are uniquely formulated without soap, and the moisturizers contain light but effective humectants and emollients. The Company's body care line currently consists of 12 products: ANTIBACTERIAL BODY CLEANSING GEL, LIQUID BODY LUFRA, BODY SMOOTHER, HAND LOTION, NAPCA MOISTURE MIST, BODY BAR, BODY CLEANSING GEL, ENHANCER, JUNGAMALS CRAZY CROCODILE CLEANER, ALPHA EXTRA BODY, MHA REVITALIZING BODY LOTION and DERMATIC EFFECTS BODY CONTOURING LOTION.

HAIR CARE. The Company's hair care line, HAIRFITNESS, is designed to meet the needs of people with all types of hair and hair problems. Focusing on the condition of the scalp and its impact on hair quality, the Company's hair care products use water-soluble conditioners like panthenol to reduce build-up on the scalp and to promote healthy hair. HairFitness includes 12 products featuring ceregen, a revolutionary wheat hydrocolloid complex of conditioning molecules that have been shown to have dramatic hair repair and moisture control aspects: 3 IN 1 SHAMPOO, MOISTURIZING SHAMPOO, BALANCING SHAMPOO, VITAL SHAMPOO, DEEP CLARIFYING SHAMPOO, GLACIAL THERAPY, WEIGHTLESS CONDITIONER, LUXURIOUS CONDITIONER, CONDITIONING DETANGLER SPRAY, STYLING GEL, HOLDING SPRAY and MOUSSE (Styling Foam). The Company also carries DERMATOR SHAMPOO and JUNGAMALS TIGER TANGLE TAMER SHAMPOO.

COLOR COSMETICS. In the latter part of 1995, the Company introduced NU COLOUR, a new line of color cosmetics, in Hong Kong, Taiwan and Japan. The NU COLOUR line consists of 13 products with 106 SKU's including MOISTURESHADE LIQUID FINISH (10), MOISTURESHADE PRESSED POWDER (8), BLUSH (9), EYE SHADOW (10), MASCARA (2), EYELINER (7), LIP LINER (11), LIPSTICK (32), DRAMATICS LIP PENCILS (6), LIP GLOSS, CREME CONCEALER (5), FINISHING POWDER and BROW PENCIL (4).

SPECIALTY PRODUCTS. The Company recently introduced a product line labeled EPOCH, a unique line of ethnobotanical personal care products created in cooperation with well known ethnobotanists. These products, which unite natural compounds used by indigenous cultures with advanced scientific ingredients, include GLACIAL MARINE MUD, DEODORANT WITH CITRISOMES, POLISHING BAR, LEAFCLEAN HAND WASH, EVERGLIDE FOAMING SHAVE GEL, DESERT BREEZE AFTERSHAVE, POST SHAVE LOTION FOR WOMEN, INFUSIONS HERBAL BATH, EMULSIONS and FIREWALKER MOISTURIZING FOOT CREAM. EPOCH was launched in August 1996 in Hong Kong, in October 1996 in Taiwan and in February 1997 in Japan. GLACIAL MARINE MUD is exclusively licensed to NSI for sale in the direct selling channel.

NUTRIOL, a line of products exclusively licensed to NSI for sale in the direct selling channel and manufactured in Europe, consists of five products: NUTRIOL HAIR FITNESS PREPARATION, NUTRIOL SHAMPOO,

NUTRIOL MASCARA, NUTRIOL NAIL and NUTRIOL EYELASH. NUTRIOL represents a product designed to replenish the hair's vital minerals and elements. Each NUTRIOL product uses mucopolysaccharide, a patented ingredient.

The Company's line of SUNRIGHT products is designed to provide a variety of sun screen protection with non-irritating and non-greasy products. The sun protection line includes a sun preparation product that prepares the skin for the drying impact of the sun, five sun screen alternatives with various levels of SPF, and a sun screen lip balm. In the Asian market, the Company's sun care line is currently available in Hong Kong and Japan. At present, SUNRIGHT PRIME PRE & POST SUN MOISTURIZER and SUNRIGHT LIP BALM are not available in Japan.

AP-24, a line of oral health care products which incorporates anti-plaque technology designed to help prevent plaque build-up 24 hours a day, is exclusively licensed to the Company, together with the associated trademark, for sale in the direct selling channel under the trademark AP-24. This product line includes AP-24 ANTI-PLAQUE TOOTHPASTE, AP-24 ANTI-PLAQUE MOUTHWASH, AP-24 TRIPLE ACTION DENTAL FLOSS and AP-24 ANTI-PLAQUE BREATH SPRAY. These products are currently available in Hong Kong and Taiwan. The AP-24 oral health care products for kids offers products designed to make oral care fun for children, including JUNGAMAL'S TOUGH TUSK TOOTHPASTE and JUNGAMAL'S FLUFFY FLAMINGO FLOSS.

The Company offers a men's and a women's fragrance under the Nu Skin trademark SAFIRO. The Company also offers a NAIL CARE KIT.

PRODUCT SETS. The Company currently offers product sets that include a sampling of products from a given product line. These package configurations are intended to encourage increased product trials.

INTERIOR DESIGN NUTRITIONALS

The IDN product category is comprised of 36 products in the following lines: nutritional supplements, nutritious and healthy snacks, sports and fitness nutritional products and botanical supplements. IDN is designed to promote healthy, active lifestyles and general well-being through proper diet, exercise and nutrition. Although less developed in the Asian market than the Nu Skin personal care category, each of the Subsidiaries, except Nu Skin Korea and Nu Skin Thailand, markets a variety of the IDN products offered by NSI. In the United States, the IDN division is an official licensee of the U.S. Olympic Committee.

The Company believes that the nutritional supplement market is expanding in Asia because of changing dietary patterns, a health-conscious population and recent reports supporting the benefits of using vitamin and mineral nutritional supplements. This product line is particularly well suited to network marketing because the average consumer is often uneducated regarding nutritional products. The Company believes that network marketing is a more efficient method than traditional retailing channels in educating consumers regarding the benefits of nutritional products. Because of the numerous over-the-counter vitamin and mineral supplements in Asia, the Company is confident that individual attention and testimonials by distributors will provide information and comfort to a potential consumer.

IDN products generally require reformulation to satisfy the strict regulatory requirements of each Asian market. While each product's concept and positioning are generally the same, regulatory differences between U.S. and Asian markets result in some product ingredient differences. See "Risk Factors-- Government Regulation of Products and Marketing." In addition, Asian preferences and regulations favor tablets instead of gel caps, which are typically used in the U.S.

The following is a brief description of each of the IDN product lines:

NUTRITIONAL SUPPLEMENTS. LIFEPAK and LIFEPAK TRIM, the core IDN nutritional supplements, are designed to provide an optimum mix of nutrients including vitamins, minerals, antioxidants and phytonutrients (natural chemical extracts from plants). The introduction of LIFEPAK in Japan in October 1995 resulted in a significant increase in revenue and currently represents approximately 20% of the Company's

revenue in Japan. LIFEPAK was launched in Taiwan and Hong Kong in October 1996 and January 1997, respectively.

Additional nutritional supplements include: VITOX, which incorporates beta carotene and other important vitamins for overall health; METABOTRIM, which provides B vitamins and chromium chelate; OPTIMUM OMEGA, a pure source of omega 3 fatty acids; IMAGE HNS, an all-around vitamin and antioxidant supplement; and OPTIGAR Q, a blend of co-enzyme Q10 and deodorized garlic. The Company also offers FIBRENET, FIBRENET PLUS and DIENE-O-LEAN as a part of its nutritional supplements offerings. The IDN MASTERS WELLNESS SUPPLEMENT provides nutrition specifically for an aging generation. JUNGAMALS CHILDREN'S CHEWABLES combine natural flavors and colors and contain a unique blend of antioxidants, chelated minerals, and vitamins specifically tailored for children. NutriFi contains four grams of soluble and insoluble fibers per serving in a powder that can be added to liquids and foods to supplement the recommended daily amounts of fiber.

As an enhancement to the core IDN nutritional supplements, LIFEPAK and LIFEPAK TRIM, NSI recently introduced LIFEPAK WOMEN and LIFEPAK PRIME. These products address the more specific nutritional needs of women and the aging generation. Also recently launched by NSI were LIFE ESSENTIALS, a lower cost, more general nutritional supplement, and NIGHTTIME COMPLEX WITH MELATONIN, a sleep aid. The Company is currently evaluating the feasibility of introducing these products into its markets.

NUTRITIOUS AND HEALTHY SNACKS. As part of the Company's mission to promote a healthy lifestyle and long-term wellness, IDN includes FIBERRY FAT-FREE SNACK BARS and APPEAL LITE, a nutritional drink containing chelated minerals and vitamins. The Company also offers BREAKBARS and POCKET FUEL, nutritious snacks which provide carbohydrates, protein and fiber. In addition, the Company offers a number of other nutritional drinks. HOT & HEALTHY, unlike traditional hot drinks, is 100% caffeine-free and contains beneficial ingredients such as Korean Panax Ginseng and grape seed extract. SPLASH C with juice crystals is a healthy beverage providing significant doses of vitamins C and E as well as calcium in each serving. Real fruit juice crystals are added to create orange or lemon flavor.

SPORTS AND FITNESS NUTRITIONAL PRODUCTS. To cater to health conscious individuals with active lifestyles, the IDN SPORTS NUTRITION SYSTEM offers a comprehensive, flexible program for individuals who desire to optimize performance on an individual basis. The system includes LIFEPAK, OVERDRIVE, a sports supplement licensed by the U.S. Olympic Committee that features antioxidants, B vitamins and chromium chelate, GLYCOBAR energy bars, and SPORTALYTE performance drink to help supply the necessary carbohydrates, electrolytes and chelated minerals to optimize performance. AMINOBUILD is a low fat high protein drink mix that is designed to replace nutrients before and after workouts.

BOTANICAL SUPPLEMENTS. Botanical supplements are designed for those who seek the benefits of natural herb and plant extracts. These supplements include BOTANAGAR, BOTANAVOX, BOTANAFLO, BOTANAZYME, BOTANAEASE, BOTANAGUARD, BOTANAVIVE and BOTANAME. Each supplement addresses a range of issues, including: alertness, digestive maintenance, dietary health support, regular sleep habits, weight management and antioxidant support.

SALES AIDS

The Company provides an assortment of sales aids to facilitate the sales of its products. Sales aids include videotapes, promotional clothing, pens, stationery, business cards, brushes, combs, cotton pads, tissues, and other miscellaneous items to help create consumer awareness of the Company and its products. Sales aids are priced at the Company's approximate cost and are not commissionable items (I.E., distributors do not receive commissions on purchases of sales aids).

PRODUCT GUARANTEES

The Company believes that it is among the most consumer protective companies in the direct selling industry. For 30 days from the date of purchase, the Company's product return policy allows a retail purchaser to return any product to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the return privilege is at the discretion of the distributor. Because distributors may return unused and resalable products to the Company for a refund of 90% of the purchase price for one year, they are encouraged to provide consumer refunds beyond 30 days. In addition, the product return policy is a material aspect of the success of distributors in developing a retail customer base. The Company's experience with actual product returns has averaged less than 3.0% of revenue through March 31, 1997.

PRODUCT DEVELOPMENT AND PRODUCTION

PRODUCT DEVELOPMENT PHILOSOPHY. The Company is committed to building its brand name and distributor and customer loyalty by selling premium quality, innovative personal care and nutritional products that appeal to broad markets. This commitment is illustrated by the Company's personal care products slogan "All of the Good and None of the Bad" and its nutritional products slogan "Adding Life to Years." The Company's product philosophy is to combine the best of science and nature and to include in each of its products the highest quality ingredients. For example, Nu Skin products do not contain soaps and other harsh cleansers that can dry and irritate skin, undesirable oils such as lanolin, elements known to be irritating and pore clogging, volatile alcohols such as ethyl alcohol, and conditioning agents that leave heavy residues. This philosophy has led to the Company being one of the only personal care companies in Japan to disclose every ingredient to consumers. This philosophy has also led to the Company's commitment to avoid any ingredients in nutritional supplements that are reported to have any long-term addictive or harmful effects, even if short-term effects may be desirable. Independent distributors need to have confidence that they are distributing the best products available in order to have a sense of pride in their association with the Company and to have products that are distinguishable from "off the shelf" products. NSI and the Company are committed to developing and providing quality products that can be sold at an attractive retail price and allow the Company to maintain reasonable profit margins.

NSI is also committed to constantly improving its evolving product formulations to incorporate innovative and proven ingredients into its product line. Whereas many consumer product companies develop a formula and stay with that formula for years, and sometimes decades, NSI believes that it must stay current with product and ingredient evolution to maintain its reputation for innovation to retain distributor and consumer attention and enthusiasm. For this reason, NSI continuously evaluates its entire line of products for possible enhancements and improvements.

In addition, the Company believes that timely and strategic product introductions are critical to maintaining the growth of independent distribution channels. Distributors become enthusiastic about new products and are generally excited to share new products with their customer base. An expanding product line helps to attract new distributors and generate additional revenues.

NSI maintains a laboratory and a staff of approximately 90 individuals involved in product development. NSI also relies on an advisory board comprised of recognized authorities in various disciplines. In addition, NSI and the Company evaluate a significant number of product ideas that are presented by distributors and other outside sources. NSI believes that strategic relationships with certain vendors also provide important access to innovative product concepts. The Company will continue to develop products tailored to appeal to the particular needs of the Company's markets.

Historically, one of the reasons for the success of Nu Skin personal care product line has been its gender neutral positioning. This product positioning substantially expands the size of the traditional skin and hair care market. NSI's IDN line of products has historically been positioned to be age neutral. However, with a substantial distributor and user base established, the Company believes that it can further increase its market share in both the personal care and the nutritional products categories by introducing age and gender specific products, additional vitamin products targeted to seniors, and personal care products targeted to either men or women.

PRODUCTION. Although the Company is investigating the possibility of manufacturing certain products within specific markets, virtually all the Company's products are currently sourced through NSI and are produced by manufacturers unaffiliated with NSI. The Company currently has little or no direct contact with these manufacturers. The Company's profit margins and its ability to deliver its existing products on a timely basis are dependent upon the ability of NSI's outside manufacturers to continue to supply products in a timely and cost-efficient manner. Furthermore, the Company's ability to enter new markets and sustain satisfactory levels of sales in each market is dependent in part upon the ability of suitable outside manufacturers to reformulate existing products, if necessary to comply with local regulations or market environments, for introduction into such markets. Finally, the development of additional new products in the future will likewise be dependent in part on the services of suitable outside manufacturers.

The Company currently acquires products or ingredients from sole suppliers or suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes that, in the event it is unable to source any products or ingredients from its current suppliers, the Company could produce such products or replace such products or substitute ingredients without great difficulty or prohibitive increases in the cost of goods sold. However, there can be no assurance that the loss of such a supplier would not have a material adverse effect on the Company's business and results of operations.

With respect to products purchased by the Company from NSI, NSI currently relies on two unaffiliated manufacturers to produce approximately 70% and 80% of its personal care and nutritional products, respectively. NSI has a written contract with the primary supplier of the Company's personal care products that expires at the end of 1997. An extension to such contract is currently being negotiated. NSI does not currently have a written contract with the primary supplier of the Company's nutritional products. The Company believes that in the event that NSI's relationship with any of its key manufacturers is terminated, NSI will be able to find suitable replacement manufacturers. However, there can be no assurance that the loss of either manufacturer would not have a material adverse effect on the Company's business and results of operations. See "Risk Factors--Reliance on and Concentration of Outside Manufacturers."

RELATIONSHIP WITH NSI

Upon consummation of the Offerings, approximately 97.2% of the combined voting power of the outstanding shares of Common Stock will be held by the shareholders of NSI and their affiliates (approximately 97.0% if the underwriters' over-allotment options are exercised in full). As a result, when acting as stockholders of the Company, these shareholders of NSI and their affiliates will consider the short-term and long-term impact of all stockholder decisions on the consolidated financial results of NSI and the Company. See "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest." In addition, the Company has entered into distribution, trademark/tradename license, licensing and sales, and management services agreements (the "Operating Agreements") with NSI and with Nu Skin International Management Group, Inc. ("NSIMG"), a Delaware corporation also controlled by the shareholders of NSI, summary descriptions of which are set forth below. Such summaries are qualified in their entirety by reference to the Operating Agreements in effect and as they may be amended from time to time. In the future the Company may enter into amendments to the Operating Agreements or additional agreements with NSI or NSIMG. The Company intends to seek the approval of a majority of its independent directors for any amendment to the Operating Agreements and any new agreement which the Company believes to be of material importance to the Company and as to which the Company and NSI or NSIMG have conflicting interests. The Company is almost completely dependent on the Operating Agreements to conduct its business, and in the event NSI is unable or unwilling to perform its obligations under the Operating Agreements, or terminates the Operating Agreements as provided therein, the Company's business and results of operations will be adversely affected. See "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest."

DISTRIBUTION AGREEMENTS. The Company has entered into a regional distribution agreement (the "Regional Distribution Agreement") with NSI, through Nu Skin Hong Kong, pursuant to which NSI has

granted to the Company the exclusive right to sell and distribute Nu Skin personal care or IDN products and sales aids in the Company's markets. Nu Skin Japan, Nu Skin Taiwan, Nu Skin Korea and Nu Skin Thailand have each entered into wholesale distribution agreements (the "Wholesale Distribution Agreements") with Nu Skin Hong Kong, pursuant to which each such Subsidiary has been granted the right to sell and distribute Nu Skin personal care and IDN products in its respective country. The following discussion summarizes the terms of the Regional Distribution Agreement and the Wholesale Distribution Agreements for each of the Subsidiaries, other than the Wholesale Distribution Agreement for Nu Skin Korea, which is discussed below.

The Company has the right to purchase any Nu Skin personal care or IDN products, subject to unavailability due to local regulatory requirements. See "--Government Regulation." Purchases are made by submission of a purchase order to NSI, which NSI must accept unless it has insufficient inventory to fill the order. In determining whether it has sufficient inventory to fill a given order, NSI is required to treat the Company on a parity basis with its other affiliates.

The prices for products are governed by a price schedule which is subject to change by NSI from time to time upon at least 30 days advance notice. NSI pays ordinary freight and the Company pays handling, excise taxes and customs duties on the products the Company orders. In order to assist NSI in planning its inventory and pricing, the Company is required to provide NSI with certain business plans and reports of its sales and prices to independent distributors.

The Company, through its subsidiary Nu Skin Hong Kong, purchases virtually all of its products from NSI. Nu Skin Hong Kong pays for its purchases from NSI under the Regional Distribution Agreement in U.S. dollars, while the other Subsidiaries pay for their purchases from Nu Skin Hong Kong under the Wholesale Distribution Agreements in their local currency. Nu Skin Hong Kong therefore bears significant currency exchange risk as a result of purchases from NSI on behalf of the other Subsidiaries. See "Risk Factors--Currency Risks."

The Company is responsible for paying for and obtaining government approvals and registrations necessary for importation of Nu Skin personal care and IDN products into its markets. In addition, the Company is responsible for obtaining any government approvals, including any filings and notifications, necessary for the effectiveness of the Regional Distribution Agreement and the Wholesale Distribution Agreements or for the parties performance thereunder. See "Risk Factors--Government Regulation of Products and Marketing; Import Restrictions."

NSI is generally responsible for paying for the research, development and testing of the products sold to the Company, including any product reformulations needed to comply with local regulatory requirements. NSI warrants as to the merchantability of, and its title to, such products. NSI has further indemnified the Company from losses and liability relating to claims arising out of alleged or actual defects in the design, manufacture or content of its products. NSI is required to maintain insurance covering claims arising from the use of its products and to cause each Subsidiary to be a named insured on such insurance policy. See "Risk Factors--Product Liability."

The Company is prohibited from selling Nu Skin personal care and IDN products outside of the countries for which it has an exclusive distribution license, except that the Company may sell certain Nu Skin personal care and IDN products to NSI affiliates in Australia and New Zealand. In addition, the Company is prohibited from selling products which directly or indirectly compete with Nu Skin personal care and IDN products in any country without NSI's prior consent, which consent will not be unreasonably withheld or delayed. The Company may sell non-competing products without restriction.

The Company may manufacture products which do not compete with Nu Skin personal care and IDN products without restriction but may not manufacture products which compete directly or indirectly with Nu Skin personal care and IDN products without NSI's prior consent, which consent will not be

unreasonably withheld or delayed. Any products manufactured by the Company carrying an NSI trademark will be subject to the Trademark/Tradenname License Agreements with NSI described below and will require the payment to NSI of certain royalties as set forth therein. If NSI discontinues a product that the Company would like to continue to sell, the Company may elect to manufacture the product itself or through a third party manufacturer unless NSI has a competing product. In this event, NSI has agreed to license the product formulation and any associated trademarks and tradenames to the Company pursuant to the Trademark/Tradenname License Agreements described below.

When the Company determines to commence operations in Indonesia, Malaysia, the Philippines, the PRC, Singapore or Vietnam, NSI has agreed under the Regional Distribution Agreement to enter into new Trademark/Tradenname License Agreements and Licensing and Sales Agreements and to cause NSIMG to enter into new Management Services Agreements, in each case substantially similar to those described below, with the Company or subsidiaries operating in such countries. See "Risk Factors-- Entering New Markets."

TRADEMARK/TRADENAME LICENSE AGREEMENTS. The following discussion summarizes the terms of the Trademark/Tradenname License Agreements for each of the Subsidiaries, other than the Trademark/ Tradenname License Agreement for Nu Skin Korea, which is discussed below. Pursuant to the Trademark/ Tradenname License Agreements, NSI has granted to each Subsidiary an exclusive license to use in its market the Nu Skin and IDN trademarks, the individual product trademarks used on Nu Skin personal care and IDN products and any NSI tradenames. Each of the Subsidiaries may thus use the licensed trademarks and tradenames on products and commercial materials not purchased from NSI, including locally sourced products and commercial materials and products and commercial materials manufactured by such subsidiary and may grant a sub-license, with the consent of NSI, for the licensed trademarks and tradenames in its market. In addition, each Subsidiary has the right to export such products and commercial materials into other Company markets with NSI's consent, which consent shall not be unreasonably withheld or delayed.

The Company pays a royalty to NSI for use of the licensed trademarks and tradenames on products, starter and introductory kits and commercial materials not purchased from NSI, including locally sourced products and commercial materials and products and commercial materials manufactured by the Company. The royalty is paid monthly and is equal to 5% of the Company's revenues from such products and commercial materials for such month generally and a total of 8% where NSI owns the formula or has exclusive rights in the subject market for such products or commercial materials.

NSI is responsible for securing and maintaining trademark registrations in the territory covered by each Trademark/Tradenname Agreement. NSI has agreed to take such actions as the Company may reasonably request to protect its and the Company's rights to the licensed trademarks from infringement and related claims and has indemnified the Company from losses and liability resulting from such claims.

LICENSING AND SALES AGREEMENTS. Currently, all distributor agreements are entered into between the distributor and NSI rather than with the Company. Therefore, the Company does not own the distributor lists or the distribution system, the Global Compensation Plan, copyrights and related intangibles. Consequently, each of the Subsidiaries has entered into a Licensing and Sales Agreement with NSI. The following discussion summarizes the terms of the Licensing and Sales Agreement for each of the Subsidiaries, other than the Licensing and Sales Agreement for Nu Skin Korea, which is discussed below.

The Licensing and Sales Agreements include a license to the Company to use the distributor lists, the Global Compensation Plan, know how, distributor system and related intellectual property exclusively in its markets. The Company pays a license fee to NSI of 4% of the Company's revenue from product sales (excluding starter and introductory kits) to NSI distributors for the use of such licensed property. The Company may not grant a sublicense for the licensed property.

The Company is required to use the Global Compensation Plan to distribute any products, except as NSI may agree to modify the plan in accordance with local requirements. The Company must comply with all policies implemented by NSI under the Global Compensation Plan. This is necessary to ensure global consistency in NSI's operations. The Company must also employ all NSI policies relating to commissions payable to, and other relationships with, NSI distributors.

The Company and the Subsidiaries are contractually obligated to pay a distributor commission expense of 42% of commissionable product sales. The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42% of commissionable product sales in each country. The 42% figure has been set on the basis of NSI's experience over the past eight years which indicates that actual commissions paid in a given year together with the cost of administering the Global Compensation Plan average approximately 42% of commissionable product sales for such year. In the event that actual commissions payable to distributors from sales in the Company's markets vary from these historical results, whether as a result of changes in distributor behavior or changes to the Global Compensation Plan or in the event that NSI's cost of administering the Global Compensation Plan increases or decreases, the Licensing and Sales Agreements provide that the settlement of distributor commission expense between the Company and NSI may be modified to more accurately reflect actual results. See "Risk Factors--Potential Increase in Distributor Compensation Expense."

In addition to payments to local distributors, the Company is generally responsible for distributor support and relations within Japan, Taiwan, Hong Kong and Thailand. The Company has agreed to use its best efforts to support the development of NSI's distributor network in its markets by purchasing starter or introductory kits from NSI and selling them to potential NSI distributors.

NSI has agreed to take such actions as the Company may reasonably request to protect its and the Company's rights to the property licensed under the Licensing and Sales Agreements from infringement and related claims and has indemnified the Company from losses and liability resulting from such claims. Both NSI and the Company are required to maintain insurance coverage adequate to insure their assets and financial stability. NSI is responsible for ensuring that the property licensed under the Licensing and Sales Agreements complies with local laws and regulations, including direct selling laws. See "Risk Factors--Government Regulation of Direct Selling Activities."

MANAGEMENT SERVICES AGREEMENTS. The following discussion summarizes the terms of the Management Services Agreements which each of the Subsidiaries have entered into with NSIMG. Pursuant to the Management Services Agreements, NSIMG has agreed to provide a variety of management and support services to each Subsidiary. These services include management, legal, financial, marketing and distributor support/training, public relations, international expansion, human resources, strategic planning, product development and operations administration services. Most of NSI's senior management personnel and most employees who deal with international issues are employees of NSIMG.

Generally, the management and support services are provided by employees of NSI and NSIMG acting through NSIMG either (i) on a temporary basis in a specific consulting role or (ii) on a full-time basis in a management position in the country in which the services are required. The Management Services Agreements do not cover the services of many of the Company's executive officers. See "Management--Executive Compensation."

GENERAL PROVISIONS. The Operating Agreements (other than the Korean Operating Agreements discussed below) are each for a term ending on December 31, 2016, and, after December 31, 2001, will be subject to renegotiation in the event that members of the families of, or trusts or foundations established by or for the benefit of the stockholders of the Subsidiaries prior to the Initial Public Offerings on a

combined basis no longer beneficially own a majority of the combined voting power of the outstanding shares of common stock of the Company or of NSI. Each Operating Agreement is subject to termination by either party in the event of: (i) a material breach by the other party which remains uncured for a period of 60 days after notice thereof; (ii) the bankruptcy or insolvency of the other party; or (iii) entry of a judgment by a court of competent jurisdiction against the other party in excess of \$25,000,000. Each Operating Agreement to which NSI is a party and each Operating Agreement to which NSIMG is a party is further subject to termination by NSI or NSIMG, respectively, upon 30 days notice in the event of a change of control of the Subsidiary party thereto and by such Subsidiary upon 30 days notice in the event of a change of control of NSI or NSIMG, respectively. Each Operating Agreement provides that neither party may assign its rights thereunder without the consent of the other party. Each Operating Agreement is governed by Utah law. Any dispute arising under an Operating Agreement is to be settled by arbitration conducted in Utah in accordance with the applicable rules of the American Arbitration Association, as supplemented by the commercial arbitration procedures for international commercial arbitration.

KOREAN OPERATING AGREEMENTS. In addition to the Management Services Agreement with NSIMG described above, Nu Skin Korea has entered into a Wholesale Distribution Agreement with Nu Skin Hong Kong and a Trademark/Tradenname License Agreement and a Licensing and Sales Agreement with NSI (the "Korean Operating Agreements").

WHOLESALE DISTRIBUTION AGREEMENT. Pursuant to its Wholesale Distribution Agreement with Nu Skin Hong Kong, Nu Skin Korea has been granted the right to sell and distribute Nu Skin personal care and IDN products in South Korea. Under the Wholesale Distribution Agreement, Nu Skin Korea has the right to purchase any Nu Skin personal care or IDN products that have been made available for the South Korean market. Purchases are made by submission of purchase orders to NSI through Nu Skin Hong Kong, which purchase orders must be accepted if there is sufficient inventory to fill such order. Nu Skin Korea pays handling, excise taxes and customs duties on the products it orders.

Nu Skin Korea is responsible for paying for and obtaining government approvals and registrations necessary for importation of Nu Skin personal care and IDN products into South Korea and the effectiveness of the Wholesale Distribution Agreement. See "Risk Factors--Government Regulation of Products and Marketing."

Nu Skin Korea's Wholesale Distribution Agreement prohibits it from selling Nu Skin personal care and IDN products outside of South Korea. In addition, Nu Skin Korea is prohibited from selling or manufacturing products which directly or indirectly compete with Nu Skin personal care or IDN products without NSI's prior consent.

The term of Nu Skin Korea's Wholesale Distribution Agreement is continuous unless terminated by either party. The Wholesale Distribution Agreement is subject to termination by either party: (i) upon 90 days written notice without cause; (ii) in the event of the default in the performance of a material obligation under the agreement by the other party which remains uncured for a period of 60 days after notice thereof; (iii) entry of a judgment against Nu Skin Korea or placement of a lien, security interest or encumbrance on the assets of Nu Skin Korea or NSI; (iv) a substantial change in ownership or control of Nu Skin Korea; or (v) a violation by either party of any provision of the Wholesale Distribution Agreement. The Wholesale Distribution Agreement is subject to termination by Nu Skin Hong Kong upon the bankruptcy or insolvency of Nu Skin Korea. Nu Skin Korea may not assign its rights under the Wholesale Distribution Agreement without the consent of Nu Skin Hong Kong. The Wholesale Distribution Agreement is governed by Utah law, and any dispute arising thereunder is to be settled by arbitration conducted in Utah in accordance with the applicable rules of the American Arbitration Association, as supplemented by the commercial arbitration procedures for international commercial arbitration.

TRADEMARK/TRADENAME LICENSE AGREEMENT. Pursuant to its Trademark/Tradenname License Agreement with NSI, NSI has granted to Nu Skin Korea an exclusive license to use in its market the Nu Skin personal care and IDN trademarks, the individual product trademarks used on Nu Skin personal care and IDN

products and any NSI tradenames. Nu Skin Korea may not grant a sub-license for the licensed trademarks and tradenames in its market.

Nu Skin Korea pays a royalty to NSI for use of the licensed trademarks and tradenames on products, starter and introductory kits and commercial materials not purchased from NSI, including locally sourced products and commercial materials and products and commercial materials manufactured by Nu Skin Korea. The royalty is paid monthly and is equal to 5% of Nu Skin Korea's revenues from such products and commercial materials for such month generally and 8% of such revenues where NSI owns the formula or has exclusive rights in the subject market for such products or commercial materials.

Nu Skin Korea is responsible for obtaining any government approvals, including any filings and notifications, necessary for the effectiveness of the Trademark/Tradenname License Agreement or for the parties performance thereunder. Nu Skin Korea has agreed to cooperate with NSI as reasonably requested to protect NSI's rights in the licensed trademarks and tradenames. Nu Skin Korea's liability in any infringement and related actions is limited to the amount of license fees due to NSI under its Trademark/ Tradenname License Agreement.

Nu Skin Korea's Trademark/Tradenname License Agreement is for an initial term ending in February 2001, subject to automatic renewal for additional 5-year terms unless terminated by either party. The Trademark/Tradenname License Agreement is subject to termination by either party in the event of a material breach by the other party which remains uncured for a period of 90 days after notice thereof, including (i) the bankruptcy or insolvency of the other party; (ii) entry of a judgment against Nu Skin Korea or placement of a lien, security interest or encumbrance on the assets of Nu Skin Korea or NSI; (iii) a substantial change in ownership or control of Nu Skin Korea; or (iv) a violation by either party of any provision of the Trademark/Tradenname License Agreement. The Trademark/Tradenname License Agreement is further subject to termination by NSI upon the government expropriation of any assets of Nu Skin Korea or NSI relating to Nu Skin Korea's activities under the agreement. Nu Skin Korea may not assign its rights under the Trademark/Tradenname License Agreement without the consent of NSI. The Trademark/ Tradenname License Agreement is governed by Utah law, and any dispute arising under the Trademark/ Tradenname License Agreement is to be settled by arbitration conducted in Utah in accordance with the applicable rules of the American Arbitration Association, as supplemented by the commercial arbitration procedures for international commercial arbitration.

LICENSING AND SALES AGREEMENT. Nu Skin Korea has entered into a Licensing and Sales Agreement with NSI which includes a license to Nu Skin Korea to use the distributor lists, the Global Compensation Plan, know how, distributor system and related intellectual property exclusively in its markets. Nu Skin Korea pays a license fee to NSI of 4% of its revenue from product sales (excluding introductory kits) to NSI distributors for the use of such licensed property. Nu Skin Korea may not grant a sublicense for the licensed property.

Pursuant to its Licensing and Sales Agreement with NSI, Nu Skin Korea is obligated to pay commissions to local distributors, using a formula based upon a maximum payout of 35% of commissionable product sales. In addition to payments of local commissions, Nu Skin Korea is generally responsible for distributor support and relations within South Korea. Nu Skin Korea has agreed to use its best efforts to support the development of NSI's distributor network in South Korea by purchasing starter or introductory kits from NSI and selling them to potential NSI distributors.

NSI has warranted to its title to the property licensed under the Licensing and Sales Agreements and that Nu Skin Korea's use of such property will not constitute an infringement of the right of any third party, and has indemnified the Company from losses and liability relating to any breach of such warranties.

The provisions of Nu Skin Korea's Licensing and Sales Agreement with respect to term, termination, assignment, governing law and arbitration are substantially the same as for its Trademark/Tradenname License Agreement.

MUTUAL INDEMNIFICATION AGREEMENT. The Company and NSI have entered into a mutual indemnification agreement pursuant to which NSI has agreed to indemnify the Company for certain claims, losses and liabilities relating to the operations of the Subsidiaries prior to the Reorganization and the Company has agreed to indemnify NSI for certain claims, losses and liabilities relating to the operations of the Subsidiaries after the Reorganization.

COMPETITION

PERSONAL CARE AND NUTRITIONAL PRODUCTS. The markets for personal care and nutritional products are large and intensely competitive. The Company competes directly with companies that manufacture and market personal care and nutritional products in each of the Company's product categories. The Company competes with other companies in the personal care and nutritional products industry by emphasizing the value and premium quality of the Company's products and the convenience of the Company's distribution system. Many of the Company's competitors have much greater name recognition and financial resources than the Company. In addition, personal care and nutritional products can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other personal care and nutritional product companies. There can be no assurance that the Company's business and results of operations will not be affected materially by market conditions and competition in the future.

NETWORK MARKETING COMPANIES. The Company also competes with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition and financial resources. The leading network marketing company in the Company's markets is Amway Corporation and its affiliates. The Company competes for new distributors on the basis of the Global Compensation Plan and its premium quality products. Management envisions the entry of many more direct selling organizations into the marketplace as this channel of distribution expands over the next several years. The Company has been advised that certain large, well-financed corporations are planning to launch direct selling enterprises which will compete with the Company in certain of its product lines. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition. See "Risk Factors--Competition."

GOVERNMENT REGULATION

DIRECT SELLING ACTIVITIES. Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, that promise quick rewards for little or no effort, require high entry costs, use high pressure recruiting methods and/or do not involve legitimate products. In Japan, the Company's distribution system is regulated under the "Door-to-Door" Sales Law, which requires the submission of specific information concerning the Company's business and products and which provides certain cancellation and cooling-off rights for consumers and new distributors. In Taiwan, the Fair Trade Law (and the Enforcement Rules and Supervisory Regulations of Multi-Level Sales) requires the Company to comply with registration procedures and also provides distributors with certain rights regarding cooling-off periods and product returns. The Company also complies with South Korea's strict Door-to-Door Sales Act, which requires, among other things, the regular reporting of revenue, the registration of distributors together with the issuance of a registration card, and the maintaining of a current distributor registry. This law also limits the amount of sponsoring bonuses that a registered multi-level marketing company can pay to its distributors to 35% of revenue in a given month. In Thailand, currently there are no laws (other than general fair trade laws) directly regulating direct selling or multi-level marketing activities.

See "Risk Factors--Potential Effects of Adverse Publicity" and "--Government Regulation of Direct Selling Activities; Import Restrictions."

Based on research conducted in opening its existing markets (including assistance from local counsel), the nature and scope of inquiries from government regulatory authorities and the Company and NSI's history of operations in such markets to date, the Company and NSI believe that their method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which the Company and NSI currently operate. Even though management believes that laws governing direct selling are generally becoming more permissive in certain Asian countries, many countries, including Singapore, one of the Company's potential markets, currently have laws in place that would prohibit the Company and NSI from conducting business in such markets. There can be no assurance that the Company will be allowed to conduct business in each of the new markets or continue to conduct business in each of its existing markets licensed from NSI. See "Risk Factors-- Entering New Markets."

REGULATION OF PRODUCTS AND MARKETING. The Company and NSI are subject to or affected by extensive governmental regulations not specifically addressed to network marketing. Such regulations govern, among other things, (i) product formulation, labeling, packaging and importation, (ii) product claims and advertising, whether made by the Company, NSI or NSI distributors, (iii) fair trade and distributor practices, (iv) taxes, transfer pricing and similar regulations that affect foreign taxable income and customs duties, and (v) regulations governing foreign companies generally.

The Japanese MOHW requires the Company to possess an import business license and to register each personal care product imported into Japan. Packaging and labeling requirements are also specified. The Company has had to reformulate many products to satisfy MOHW regulations. In Japan, nutritional foods, drugs and quasi-drugs are all strictly regulated. The chief concern involves the types of claims and representations that can be made regarding the efficacy of nutritional products. The Company's successful introduction of IDN products in Japan was achieved by utilizing the combined efforts of NSI's technical staff as well as external consultants.

In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. Non-medicated cosmetic products, such as shampoo and hair conditioner, require no registration.

In Hong Kong, cosmetic products not classified as "drugs" nor as "pharmaceutical products" are not subject to statutory registrations, packaging and labeling requirements apart from the Trade Descriptions Ordinance. In Macau, "pharmaceutical" products are strictly regulated; general products are not subject to registration requirements.

In South Korea, the Company is subject to and has obtained the mandatory certificate of confirmation as a qualified importer of cosmetics under the Pharmaceutical Affairs Law as well as additional product approvals for each of the 45 categories of cosmetic products which it imports. Each new cosmetic product undergoes a 60-day post-customs inspection where, in addition to compliance with ingredient requirements, each product is inspected for compliance with South Korean labeling requirements.

In Thailand, personal care products are regulated by the Food and Drug Association, and all of the initial NSI personal care products to be introduced in Thailand have qualified for simplified registration procedures under Thai law.

REGULATION OF POTENTIAL MARKETS. Each of the proposed new markets will present additional unique difficulties and challenges. The PRC, for example, has proven to be a particularly difficult market for foreign corporations due to its extensive government regulation and the historical political tenets of the PRC government. In order to enter the market in the PRC, the Company may be required to create a joint venture enterprise with a Chinese entity and to establish a local manufacturing presence, which will entail a significant investment on the Company's part. The Company will likely have to apply for licenses on a province by province basis and the repatriation of the Company's profits will be subject to restrictions on

currency conversion and the fluctuations of the government controlled exchange rate. In addition, because distribution systems are greatly fragmented, the Company may be forced to use business models significantly different from those used by the Company in more developed countries. The lack of a comprehensive legal system and the uncertain and sporadic enforcement of existing legislation and laws could also have an adverse effect on the Company's proposed business in the PRC.

The other potential new markets also present significant regulatory, political and economic obstacles to the Company. In Singapore, for example, network marketing is currently illegal and is not permitted under any circumstances. Although the Company believes that this restriction will eventually be relaxed or repealed, no assurance can be given that such regulation will not remain in place and that the Company will not be permanently prevented from initiating sales in Singapore. In addition, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. There can be no assurance that the Company will be able to properly structure Malaysian operations to comply with this policy. In October of 1995, the Company's business permit applications were denied by the Malaysian government as a result of activities by certain NSI distributors. Therefore, the Company believes that although significant opportunities exist to expand its operations into new markets, there can be no assurance that these or other difficulties will not prevent the Company from realizing the benefits of this opportunity.

OTHER REGULATORY ISSUES. As a U.S. entity operating through subsidiaries in foreign jurisdictions, the Company is subject to foreign exchange control and transfer pricing laws that regulate the flow of funds between the Subsidiaries and the Company as well as the flow of funds to NSI for product purchases, management services, and contractual obligations such as the payment of distributor commissions. In South Korea, in particular, the Company has come under the scrutiny of regulators because of the manner in which the Company and Nu Skin Korea implement the Global Compensation Plan. Pursuant to the Global Compensation Plan, Nu Skin Korea currently pays commissions to distributors in South Korea on both their local and foreign product sales. Similarly, commissions on product sales in South Korea by other distributors are paid by their local NSI affiliate. The Company believes that it operates in compliance with all applicable foreign exchange control and transfer pricing laws. However, there can be no assurance that the Company will continue to be found to be operating in compliance with foreign exchange control and transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes in the Company's operating procedures.

As is the case with most companies which operate in the Company's product segment, NSI and the Company have from time to time received inquiries from various government regulatory authorities regarding the nature of their businesses and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities and other laws. Although to date none of these inquiries has resulted in a finding materially adverse to the Company or NSI, adverse publicity resulting from inquiries into NSI's operations by certain government agencies in the early 1990's, stemming in part out of inappropriate product and earnings claims by distributors, materially adversely affected NSI's business and results of operations. There can be no assurance that the Company or NSI will not face similar inquiries in the future, which, either as a result of findings adverse to the Company or NSI or as a result of adverse publicity resulting from the instigation of such inquiries, could have a material adverse effect on the Company's business and results of operations. See "Risk Factors--Potential Effects of Adverse Publicity."

The Subsidiaries are periodically subject to reviews and audits by various governmental agencies, particularly in new markets, where the Company has experienced high rates of growth. Recently, the South Korean Ministry of Trade, Industry and Energy commenced an examination of the largest domestic and foreign-owned network marketing companies in South Korea, including Nu Skin Korea. The purposes of the examination were stated to be to monitor how companies are operating and to audit current business practices. In addition, Nu Skin Korea is currently subject to an audit by South Korean customs authorities. Management believes that this audit, the focus of which is to review customs valuation issues and inter-

company payments is, in large measure, the result of Nu Skin Korea's rapid growth and its position as the largest importer of cosmetics and personal care products in South Korea. No assurance can be given that Nu Skin Korea will not, as a result of these audits, be assessed additional customs duties based on an increase in customs valuation of imported products or will not be subject to other regulatory review, or in the event that these risks materialize, will not be subject to adverse publicity. Nevertheless, the Company believes its operations are in compliance in all material respects with local laws. See "Risk Factors-- Potential Negative Impact of Distributor Actions." Management believes that other major importers of cosmetic products are also the focus of regulatory reviews by South Korean authorities.

Under Thai law, businesses which are more than 50% owned by non-citizens are not permitted to operate unless they have an Alien Business Permit, which is frequently difficult to obtain. The Company is currently operating under the Treaty of Amity and Economic Relations between Thailand and the United States (the "Treaty of Amity"). Under the Treaty of Amity, an Alien Business Permit is not required if a Thailand business is owned by an entity organized in the United States, a majority of whose owners are U.S. citizens or entities. From time to time, it has been reported that certain Thailand government officials have considered supporting the termination of the Treaty of Amity. The Company could face particular difficulties in continuing operations in Thailand if the Treaty of Amity were terminated and the Company were forced to obtain an Alien Business Permit.

Based on the Company's and NSI's experience and research (including assistance from counsel) and the nature and scope of inquiries from government regulatory authorities, the Company and NSI believe that they are in material compliance with all regulations applicable to them. Despite this belief, either the Company or NSI could be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by independent distributors. In 1994, NSI and three of its distributors entered into a consent decree with the Federal Trade Commission (the "FTC") with respect to its investigation of certain product claims and distributor practices, pursuant to which NSI paid approximately \$1 million to settle the FTC investigation. NSI is currently in discussions with the FTC regarding its compliance with such consent decree and other product issues raised by the FTC. NSI recently voluntarily agreed to recall and rewrite virtually all of its sales and marketing materials to address FTC concerns. NSI has also offered a monetary settlement, which proposal is currently under review by the FTC. Even though neither the Company nor the Subsidiaries have encountered similar regulatory concerns, there can be no assurances that the Company and the Subsidiaries will not be subject to similar inquiries and regulatory investigations or disputes and the effects of any adverse publicity resulting therefrom. Any assertion or determination that either the Company, NSI or any NSI distributors are not in compliance with existing laws or regulations could have a material adverse effect on the Company's business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on the Company's business and results of operations. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on the Company's business and results of operations. Moreover, governmental regulations in countries where the Company plans to commence or expand operations may prevent, delay or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to the Company or NSI, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on the Company's sales and earnings. See "Risk Factors--Potential Effects of Adverse Publicity" and "--Entering New Markets."

EMPLOYEES

As of May 31, 1997, the Company had approximately 950 full-time and part-time employees. None of the employees is represented by a union or other collective bargaining group. The Company believes its relationship with its employees is good, and does not currently foresee a shortage in qualified personnel needed to operate the business. Each Subsidiary is directed by an experienced manager.

PROPERTIES

In each of its current markets, the Company has established a central office for the local administrative staff directed by a general manager. These offices also have a training room for distributor and employee use and an adjoining distribution center where distributors can place, pay for and pick up orders. In Japan, Taiwan, and South Korea, additional pick up centers have been added to provide better service to distributors and meet the increasing demand for product. In Hong Kong, the Company maintains a distributor business center where established distributors can use office space for training and sponsoring activities at cost.

In addition to the Company's corporate headquarters in Provo, Utah, the following table summarizes, as of May 31, 1997, the Company's leased office and distribution facilities in each country where the Company currently has operations.

LOCATION	FUNCTION	APPROXIMATE SQUARE FEET
Tokyo, Japan.....	Central office/distribution center	35,000
Osaka, Japan.....	Distribution center/office	13,400
Taipei, Taiwan.....	Center office/distribution center	22,000
Kaohsiung, Taiwan.....	Distribution center/office	9,500
Taichung, Taiwan.....	Distribution center/office	17,000
Nankan, Taiwan.....	Warehouse/distribution center	36,000
Causeway Bay, Hong Kong.....	Central office/distribution center/distributor business center/regional office	19,000
Tsing Yi, Hong Kong.....	Warehouse	10,000
Macau.....	Distribution center/office	2,000
Seoul, South Korea.....	Central office/distribution center	30,000
Seoul, South Korea.....	Distribution center	7,000
Kyungki-Do, South Korea.....	Warehouse	16,000
Pusan, South Korea.....	Distribution center	10,000
Bangkok, Thailand.....	Central office/distribution center	8,200
Bangkok, Thailand.....	Distribution center	1,700

LEGAL PROCEEDINGS

The Company is not a party to any litigation or other legal proceedings or investigations which is expected to have a material adverse effect on its financial condition or results of operations, nor are any such proceedings known to be contemplated.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

As of May 31, 1997, the directors and executive officers of the Company and key managers of the Subsidiaries were as follows:

NAME	AGE	POSITION
Blake M. Roney	39	Chairman of the Board
Steven J. Lund	43	President, Chief Executive Officer and Director
Renn M. Patch	46	Chief Operating Officer
Corey B. Lindley	32	Chief Financial Officer
Michael D. Smith	51	Vice President of Operations
M. Truman Hunt	38	Vice President of Legal Affairs and Investor Relations
Keith R. Halls	39	Secretary and Director
Takashi Bamba	61	President, Nu Skin Japan Company, Limited
John Chou	51	President, Nu Skin Taiwan, Inc.
S.T. Han	54	President, Nu Skin Korea, Inc.
George Mak	43	President, Nu Skin Hong Kong, Inc.
Sandra N. Tillotson	40	Director
Brooke B. Roney	35	Director
Kirk V. Roney	43	Director
Max L. Pinegar	65	Director
E.J. "Jake" Garn	64	Director
Paula Hawkins	70	Director
Daniel W. Campbell	42	Director

A brief biographical summary of each of the Company's directors and executive officers and the key managers of the Subsidiaries follows:

BLAKE M. RONEY has served as the Chairman of the Board since the Company's inception and is a founder of Nu Skin International Inc., an affiliate of the Company ("NSI"). He has also served as President, Chief Executive Officer and Chairman of the Board of NSI and certain of its affiliated entities since their respective inceptions. He received a B.S. degree from Brigham Young University. He is the brother of Kirk V. Roney and Brooke B. Roney.

STEVEN J. LUND has been the President, Chief Executive Officer and a Director of the Company since its inception. Mr. Lund has also served as Executive Vice President and a Director of NSI since 1985 and as Vice President and Secretary of certain NSI affiliated entities since their respective inceptions. Mr. Lund previously worked as an attorney in private practice. He received a B.A. degree from Brigham Young University and a J.D. degree from Brigham Young University's J. Reuben Clark Law School.

RENN M. PATCH has been the Chief Operating Officer of the Company since its inception. Since 1992 he has been Vice President of Global Operations and Assistant General Manager of NSI. From 1991 to 1992, he served as Director of Government Affairs of NSI. Prior to joining NSI in 1991, Mr. Patch was associated with the Washington, D.C. consulting firm of Parry and Romani Associates. Mr. Patch earned a B.A. degree from the University of Minnesota, a J.D. degree from Hamline University School of Law and an L.L.M. degree from Georgetown University.

COREY B. LINDLEY has been the Chief Financial Officer of the Company since its inception. From 1993 to 1996, he served as Managing Director, International of NSI. Mr. Lindley worked as the International Controller of NSI from 1991 to 1994 and lived in Hong Kong and Japan during that time. From 1990 to 1991, he served as Assistant Director of Finance of NSI. Mr. Lindley is a Certified Public Accountant.

Prior to joining NSI in 1990, he worked for the accounting firm of Deloitte and Touche. He earned a B.S. degree from Brigham Young University and an M.B.A. degree from Utah State University.

MICHAEL D. SMITH has been the Vice President of Operations for the Company since its inception. He has also served as Vice President of Asian Operations of NSI since February 1996. Prior to that time, he served as General Counsel of NSI from 1992 to 1996 and as Director of Legal Affairs of NSI from 1989 to 1992. He earned B.S. and M.A. degrees from Brigham Young University and a J.D. degree from the University of Utah.

M. TRUMAN HUNT has served as the Vice President of Legal Affairs and Investor Relations since the Company's inception. He has also served as Counsel to the President of NSI since 1994. From 1991 to 1994, Mr. Hunt served as President and Chief Executive Officer of Better Living Products, Inc., an NSI affiliate involved in the manufacture and distribution of houseware products sold through traditional retail channels. Prior to that time, he was a securities and business attorney in private practice. He received a B.S. degree from Brigham Young University and a J.D. degree from the University of Utah.

KEITH R. HALLS has served as the Secretary and a Director of the Company since its inception. He has also served as General Vice President and a Director of NSI since 1992. He served as Director of Finance of NSI from 1986 to 1992. Mr. Halls is a Certified Public Accountant. Mr. Halls received a B.A. degree from Stephen F. Austin State University and a B.S. degree from Brigham Young University.

TAKASHI BAMBA has served as the President and/or General Manager of Nu Skin Japan since 1993. Prior to joining Nu Skin Japan in 1993, Mr. Bamba served five years as President and CEO of Avon Products Co., Ltd., the publicly traded Japanese subsidiary of Avon Products, Inc. Prior to working at Avon Products Co., Ltd., he spent 17 years at Avon Products, Inc. He received a B.A. degree from Yokohama National University.

JOHN CHOU has served as the President and/or General Manager of Nu Skin Taiwan since 1991. Prior to joining Nu Skin Taiwan in 1991, he spent twenty-one years in international marketing and management with 3M Taiwan Ltd., Amway Taiwan and Universal PR Co. Mr. Chou is a standing director of the Taiwan ROC Direct Selling Association. He is also a member of the Kiwanis International, and the Taiwan American Chamber of Commerce. He received a B.A. degree from Tan Kang University in Taipei, Taiwan.

S.T. HAN has served as the President and/or General Manager of Nu Skin Korea since 1995. Prior to joining Nu Skin Korea in 1995, Mr. Han spent four years as the Executive Managing Director of Woosung Film Co., the exclusive distributor of Konica film in South Korea. He also worked for Amway Korea, Ltd. during that Company's start-up phase of operations in 1991. Mr. Han graduated with a B.A. degree from ChungAng University.

GEORGE MAK has served as the President and/or General Manager of Nu Skin Hong Kong since 1991. Prior to joining Nu Skin Hong Kong in 1991, Mr. Mak worked for Johnson & Johnson as a personnel and administration manager for Hong Kong and Shanghai from 1989 to 1991. Prior to joining Johnson & Johnson he worked for 10 years in the human resources and accounting fields. He earned an M.B.A. degree from the University of East Asia, Macau. Mr. Mak has submitted his resignation effective July 1, 1997.

SANDRA N. TILLOTSON has served as a Director of the Company since its inception. She was a founder of NSI and has also served as General Vice President of NSI since 1992 and a Director of NSI since its inception and as a Director and an executive officer of certain of NSI's affiliated entities since their respective inceptions. She served as Vice President of Corporate Services of NSI from 1984 to 1992. She earned a B.S. degree from Brigham Young University.

BROOKE B. RONEY has served as a Director of the Company since its inception. He was a founder of NSI and has also served as General Vice President and a Director of NSI since 1992 and as a Director and an executive officer of certain of NSI's affiliated entities since their respective inceptions. He served as Vice President of Distribution of NSI from 1984 to 1992. He is the brother of Blake M. Roney and Kirk V. Roney.

KIRK V. RONEY has served as a Director of the Company since its inception. He has also served as General Vice President of NSI since 1992 and a Director of NSI since 1984, and as a Director and an executive officer of certain of NSI's affiliated entities since their respective inceptions. He served as Vice President of Planning and Development of NSI from 1984 to 1992. He earned an M.I.M. degree from the American Graduate School of International Management. He earned an M.A. degree from Central Michigan University and a B.A. from Brigham Young University. He is the brother of Blake M. Roney and Brooke B. Roney.

MAX L. PINEGAR has served as a Director of the Company since September 1996. He has also served as General Manager of NSI since 1989 and as Vice President of NSI since 1992. He received a B.A. degree from Brigham Young University and an M.B.A. degree from the University of Utah.

E.J. "JAKE" GARN has served as a Director of the Company since March 1997. Senator Garn has been Vice Chairman of Huntsman Corporation, one of the largest privately-held companies in the U.S., since 1993. He currently serves as a director for Dean Witter Funds, John Alden Life Insurance Company and Franklin Quest & Co., Inc. From 1974 to 1993, Senator Garn was a member of the United States Senate and served on numerous senate committees. He received a B.A. degree from the University of Utah.

PAULA HAWKINS has served as a Director of the Company since March 1997. Senator Hawkins has been a principal of Paula Hawkins & Associates, Inc., a management consulting company, since its inception. From 1980 to 1986, Senator Hawkins was a member of the United States Senate and served on numerous senate committees.

DANIEL W. CAMPBELL has served as a Director of the Company since March 1997. Mr. Campbell has been a Managing General Partner of EsNet, Ltd. since 1994. From 1992 to 1994, Mr. Campbell was the Senior Vice President and Chief Financial Officer of WordPerfect Corporation and prior to that was a Partner of Price Waterhouse LLP. He received a B.S. degree from Brigham Young University.

COMPENSATION OF DIRECTORS

Directors who do not receive compensation as officers or employees of the Company, NSI or its affiliates are paid an annual fee of \$25,000 and a fee of \$1,000 for each meeting of the Board of Directors or any committee meeting thereof that they attend.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation committee members are Keith R. Halls, Max L. Pinegar, Paula Hawkins and Daniel W. Campbell. Mr. Halls is the Chairman of the Compensation Committee. Mr. Halls is currently the Secretary of the Company. Mr. Halls has entered into a Stockholders' Agreement with the Company and certain other of its stockholders. See "Certain Relationships and Related Transactions--Stockholders Agreement." Mr. Halls is also a stockholder of NSI and Mr. Pinegar is an executive officer of NSI, which provides the Company with substantially all of its products, its distributor network and other support services. See "Certain Relationships and Related Transactions--Operating Agreements; Relationship with NSI." Several members of the Company's Board of Directors are also directors of NSI and have set or will set compensation for certain executive officers of the Company who have been or may in the future be executive officers of NSI.

EXECUTIVE COMPENSATION

The following table sets forth a summary of all compensation awarded or paid to or earned by the chief executive officer and the four other most highly compensated executive officers of the Company in the last fiscal year for services rendered in all capacities to the Company for the fiscal years ended December 31, 1995 and 1996. Except for the employee stock bonus awards referenced elsewhere herein, no options or long-term incentive plan awards were granted or made to the referenced executive officers during the referenced periods, except as provided below.

The Company was formed in September 1996, and consequently paid no compensation to the executive officers named in the table below during the fiscal year ended December 31, 1995 and during the first eight months of the fiscal year ended December 31, 1996. However, salary, bonus and other compensation is presented in the table below for 1995 and 1996 based on payments by NSI and the Subsidiaries and, for the last quarter of 1996, by the Company to the named executive officers as if the Company had been in existence during all of 1995 and 1996. During 1995 and 1996, Messrs. Bamba and Chou were, and continue to be, employed full time as the General Managers and/or Presidents of Nu Skin Japan and Nu Skin Taiwan, respectively, and received all of their compensation from the Company through these Subsidiaries. During 1995 and 1996, Messrs. Lund, Smith and Patch were, and Messrs. Lund and Patch continue to be, executive officers of NSI. The compensation presented in the table below reflects an allocation of the time spent by Messrs. Lund and Patch providing services to the Company and the Subsidiaries during 1995 and 1996 and by Mr. Smith providing such services during 1996. These salaries and bonuses are in addition to any amounts received by these officers from NSI in return for their services to NSI.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION		ALL OTHER COMPENSATION
		SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS		
Steven J. Lund..... President and Chief Executive Officer	1996	\$ 259,973	\$ 89,345(1)	\$ --	\$ --	\$ --	
	1995	236,364	82,529(1)	--	--	--	
Takashi Bamba..... President, Nu Skin Japan	1996	364,138	174,557(2)	195,401(3)	13,000(4)	3,297(5)	
	1995	361,028	105,563(2)	98,063(3)	--	3,297(5)	
John Chou..... President, Nu Skin Taiwan	1996	211,000	56,232(2)	77,897(6)	13,000(4)	--	
	1995	185,370	75,786(2)	63,730(6)	--	--	
Michael D. Smith..... Vice President of Operations	1996	157,812	13,090(1)	25,676(7)	14,000(4)	24,390(8)	
	1995	--	--	--	--	--	
Renn M. Patch..... Chief Operating Officer	1996	98,638	20,437(1)	13,800(7)	14,000(4)	5,542(8)	
	1995	97,175	104,765(9)	18,750(10)	--	--	

(1) Cash bonus paid to the recipient not pursuant to a formal bonus plan.

(2) Cash bonus paid during the year reported pursuant to a cash bonus long term incentive plan for the Presidents of the Subsidiaries.

(3) Includes deferred portion of a bonus accrued during the year reported pursuant to a cash bonus long term incentive plan for the Presidents of the Subsidiaries and annual lease payments for an automobile.

(4) Employee stock bonus awards granted in 1996 by the Company pursuant to the 1996 Stock Incentive Plan. The awards vest 25% per year beginning in November 1997.

(5) Annual premium for pension insurance policy.

(6) Includes deferred portion of a bonus accrued during the year reported pursuant to a cash bonus long term incentive plan for the Presidents of the Subsidiaries and annual payments for an automobile and club dues.

(7) Includes deferred portion of a bonus accrued during the year reported not pursuant to a formal bonus plan.

- (8) Includes compensation in the form of the cash value of the use of certain NSI-owned property and other perquisites.
- (9) Noncash bonus paid to Mr. Patch, not pursuant to a formal bonus plan.
- (10) Includes \$16,500 of accrued deferred compensation and \$2,250 of vested deferred compensation awarded to Mr. Patch under NSI's deferred compensation plan.

EMPLOYMENT AGREEMENTS

Messrs. Bamba, Chou and Han have entered into employment agreements with Nu Skin Japan, Nu Skin Taiwan and Nu Skin Korea, respectively. Under these agreements, these individuals are paid an annual salary and receive various other benefits. These individuals, together with Mr. Mak, are also entitled to participate in a cash bonus long-term incentive plan.

Mr. Bamba is employed as the President of Nu Skin Japan at a 1997 annual salary of approximately \$394,000. This salary is subject to annual review. Under the terms of his employment agreement, Mr. Bamba is entitled to reimbursement of business-related expenses, the use of an automobile provided by Nu Skin Japan, and participation in any retirement plan offered by Nu Skin Japan. Mr. Bamba also has the right under his employment agreement to have Nu Skin Japan purchase a country club membership and pay related dues, although he has not exercised this right. Mr. Bamba is also provided with a private insurance plan paid for by Nu Skin Japan provided the premium for such private insurance plan does not exceed Y300,000 per year. Under his employment agreement, Mr. Bamba has agreed to certain confidentiality obligations. The term of Mr. Bamba's employment is indefinite, subject to termination by Mr. Bamba or Nu Skin Japan upon three months' notice.

Mr. Chou is employed as the President of Nu Skin Taiwan at a 1997 annual salary of approximately \$230,000. Under the terms of his employment agreement, Mr. Chou is entitled to health insurance paid for in part by Nu Skin Taiwan. Nu Skin Taiwan also provides Mr. Chou with a monthly car allowance. The term of Mr. Chou's employment agreement currently extends until June 1997. Under his employment agreement, Mr. Chou has agreed to certain confidentiality obligations.

Mr. Han is employed as the President of Nu Skin Korea at a 1997 annual salary of approximately \$140,000. Under the terms of his employment agreement, Mr. Han is entitled to the use of an automobile and driver provided by Nu Skin Korea, as well as medical insurance and pension benefits. Mr. Han's employment is for a three year term ending January 1, 1999, subject to the right of Nu Skin Korea or Mr. Han to terminate the agreement on 60 days' advance notice. Once Mr. Han had been employed by Nu Skin Korea for 12 months, he became entitled to receive, upon termination, severance pay equal to two months' salary for each consecutive year of service. Under his employment agreement, Mr. Han has agreed to certain confidentiality and noncompetition obligations.

1996 STOCK INCENTIVE PLAN

Prior to the Initial Public Offerings, the Board of Directors of the Company adopted the Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan, as amended (the "1996 Stock Incentive Plan"). The stockholders approved the 1996 Stock Incentive Plan in the Company's May 15, 1997 Annual Meeting. The purpose of the 1996 Stock Incentive Plan is to attract and retain executives, other employees, independent consultants and directors who are important to the success and growth of the Company and to ensure that their interests are aligned with the interests of the stockholders of the Company.

ADMINISTRATION. The 1996 Stock Incentive Plan is administered by the 1996 Stock Incentive Plan Committee (the "Plan Committee"). The Plan Committee consists of the members of the Compensation Committee of the Board of Directors. The Plan Committee will determine, from time to time, the individuals to whom awards shall be made, the type of awards, and the amount, size and terms of each

award. The Plan Committee will make all other determinations necessary or advisable for the administration of the 1996 Stock Incentive Plan.

AWARDS. Awards under the 1996 Stock Incentive Plan may be in the form of options (both nonqualified stock options ("NQSOs") and incentive stock options ("ISOs")), contingent stock, restricted stock, and stock appreciation rights ("SARs"), or such other forms as the Plan Committee in its discretion may deem appropriate. The maximum number of awards that may be issued to any one person during the life of the 1996 Stock Incentive Plan shall be limited to 10% of the shares reserved for issuance under the 1996 Stock Incentive Plan. The number of shares which may be issued under the 1996 Stock Incentive Plan as well as the terms of any outstanding awards may be equitably adjusted by the Plan Committee in the event of a stock split, stock dividend, recapitalization, merger, consolidation, combination or similar events. In general, any shares subject to an option or right which for any reason expires or is terminated unexercised shall again be available under the 1996 Stock Incentive Plan. No awards may be granted more than ten years after the effective date of the 1996 Stock Incentive Plan.

NUMBER OF SHARES. A total of 4,000,000 shares of the Class A Common Stock have been authorized to be issued pursuant to the 1996 Stock Incentive Plan. The Company issued stock bonus awards from these shares to executive officers of the Company following the Initial Public Offerings. Messrs. Takashi Bamba, John Chou, S.T. Han and George Mak received stock bonus awards of 13,000, 13,000, 1,800 and 9,000 shares of Class A Common Stock, respectively. In addition, Messrs. Renn M. Patch, Corey B. Lindley and Michael D. Smith have each received stock bonus awards from NSI of 13,000 shares of Class A Common Stock. These awards vest ratably over four years following the date of grant, provided the executive officer remains in the employment of the Company.

PLAN AMENDMENT. The Board of Directors may amend the 1996 Stock Incentive Plan, without stockholder approval, anytime in any respect unless stockholder approval of the amendment in question is required under Delaware law, the Code, certain exemptions from Section 16 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), any national securities exchange system on which the shares are then listed or reported, by any regulatory body having jurisdiction with respect to the 1996 Stock Incentive Plan, or other applicable laws, rules or regulations. No amendment to the 1996 Stock Incentive Plan may alter or impair any award granted under the 1996 Stock Incentive Plan without the consent of the holders thereof. The 1996 Stock Incentive Plan may be terminated at any time by the Board of Directors.

OPTIONS. The 1996 Stock Incentive Plan provides for the grant of ISOs to employees and NQSOs to employees and independent consultants. In the case of ISOs, the exercise price of an option may not be less than 100% of the fair market value of a share of Class A Common Stock at the time of grant (or 110% of such fair market value if the optionee owns more than 10% of the total voting power of all classes of Company stock outstanding at the time of grant). In the case of NQSOs, the exercise price of an option may not be less than 85% of the fair market value of a share of Class A Common Stock at the time of grant. The Plan Committee may provide for a reduction in the exercise price of a NQSO by dividends paid on a share of Class A Common Stock while the NQSO is outstanding. Options will be exercisable for a term determined by the Plan Committee provided such exercise shall occur not earlier than six months and not later than ten years (five years if the optionee owns more than ten percent of the total voting power of all classes of Company Stock outstanding at the time of grant) after the grant of the option. The aggregate fair market value of ISO's (determined at the time of grant) granted to an employee which may become first exercisable in any one calendar year shall not exceed \$100,000. If any option is not granted, exercised, or held pursuant to the provisions applicable to an ISO, it will be considered to be an NQSO to the extent that any or all of the grant is in conflict with such provisions. The Plan Committee has the power to permit acceleration of previously determined exercise terms under certain circumstances and upon such terms and conditions as the Plan Committee deems appropriate. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

CONTINGENT STOCK. The Plan Committee will determine the amount of contingent stock to be granted to a participant based on the past or expected impact the participant has had or can have on the financial well being of the Company and other factors determined by the Plan Committee to be appropriate. A participant receiving an award of contingent stock will receive the stock upon the satisfaction of certain objectives. Contingent stock awards made pursuant to the 1996 Stock Incentive Plan will be subject to such terms, conditions and restrictions, including obtainment of performance objectives, for such period or periods as may be determined by the Plan Committee at the time of grant. The Plan Committee in its discretion may permit acceleration of the expiration of the applicable restriction period with respect to part or all of the award to any participant. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

RESTRICTED STOCK. The Plan Committee will determine the amount of restricted stock to be granted to a participant based on the past or expected impact the participant has had or can have on the financial well being of the Company and other factors deemed by the Plan Committee to be appropriate. Restricted stock is issued to the participant subject to forfeiture if certain objectives are not met. Restricted stock awards made pursuant to the 1996 Stock Incentive Plan shall be subject to the terms, conditions and restrictions, including the payment of performance objectives, and for such period or periods as will be determined by the Plan Committee at the time of grant. The Plan Committee in its discretion may permit acceleration of the expiration of the applicable restriction period with respect to part or all of the award to any participant. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions." Shares of restricted stock may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, for such period provided in the participant's award agreement.

SARS. SARS are rights to receive cash or shares of Company stock, or a combination thereof, as the Plan Committee may determine in an amount equal to the excess of (i) the fair market value of the stock with respect to which the SAR is exercised, or (ii) 100% of the fair market value of such stock at the time the SAR was granted, less any dividends paid on such shares while the SAR was outstanding. No cash consideration will be received by the Company for the grant of any SAR. No SAR may be granted for a period of less than one year or greater than ten years. SARS may be exercised at such time and subject to such terms and conditions as are prescribed by the Plan Committee at the time of grant, subject to certain limitations (including that no SAR shall be exercisable within one year after the date of grant).

FEDERAL INCOME TAX CONSEQUENCES. The participant recognizes no taxable gain or loss when an incentive stock option is granted or exercised. If the shares acquired upon the exercise of an incentive stock option are held for at least one year after exercise and two years after grant (the "Holding Period"), the participant recognizes any gain or loss recognized upon such sale as long-term capital gain or loss and the Company is not entitled to a deduction. If the shares are not held for the Holding Period, the gain is ordinary income to the participant to the extent of the difference between the exercise price and the fair market value of the Class A Common Stock on the date the option is exercised and any excess is capital gain. Also, in such circumstances, the Company is entitled to a deduction equal to the amount of any ordinary income recognized by the participant.

The participant recognizes no taxable income and the Company receives no deduction when a nonqualified stock option is granted. Upon exercise of a nonqualified stock option, the participant recognizes ordinary income and the Company is entitled to a deduction equal to the difference between the exercise price and the fair market value of the shares on the date of exercise. The participant recognizes as a capital gain or loss any subsequent profit or loss realized on the sale or exchange of any shares disposed of or sold.

A participant granted restricted stock or contingent stock is not required to include the value of such shares in income until the first time such participant's rights in the shares are transferable or are not subject to substantial risk of forfeiture, whichever occurs earlier, unless such participant timely files an

election under Code Section 83(b) to be taxed on the receipt of the shares. In either case, the amount of such ordinary income will be equal to the excess of the fair market value of the shares at the time the income is recognized over the amount (if any) paid for the shares. The Company is entitled to a deduction, in the amount of the ordinary income recognized by the participant, for the Company's taxable year in which the participant recognizes such income.

Upon the grant of an SAR, the participant recognizes no taxable income and the Company receives no deduction. The participant recognizes ordinary income and the Company is entitled to a deduction at the time of exercise equal to the cash and the fair market value of shares payable upon such exercise.

Under certain circumstances, an accelerated vesting or cash out of stock options, or accelerated lapse of restrictions on other awards, in connection with a change in control of the Company might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Code Section 280G. To the extent it is so considered, the participant may be subject to a 20% excise tax and the Company may be denied a tax deduction.

Code Section 162(m) limits to \$1,000,000 per year the federal income tax deduction available to a public company for compensation paid to any of its chief executive officer and four other highest paid executive officers. However, Section 162(m) provides an exception from its limitation for certain "performance based" compensation if various requirements are satisfied. The 1996 Stock Incentive Plan contains provisions which are intended to satisfy these requirements for awards made at the time the Company is considered a public company and which otherwise are "performance based" compensation.

BONUS INCENTIVE PLAN

The Company has adopted a bonus incentive plan for the Presidents of the Subsidiaries. This bonus incentive plan is patterned after a similar plan under which Messrs. Bamba, Chou, Han and Mak were compensated prior to the Initial Public Offerings. Under the new bonus incentive plan, Messrs. Bamba, Chou, Han and Mak are entitled to receive an annual cash bonus based upon the prior year's operating results of the Subsidiary for which they are responsible. Participants in this bonus incentive plan are able to receive a bonus equal to 100% of their respective salaries, conditioned on meeting certain performance criteria and subject to cash availability and approval of the Executive Committee Board of Directors of the Company. One half of this bonus is payable by February 15 of the year following the year in which the bonus is earned and the remaining one half is deferred and vests ratably over 10 years or at age 65, whichever occurs first.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

S CORPORATION DISTRIBUTION

Prior to the Reorganization, each Subsidiary elected to be treated as an "S" corporation under Subchapter S of the Code and comparable state tax laws. On November 19, 1996, the Subsidiaries' S corporation status was terminated (the "S Termination Date"). Prior to the S Termination Date, the Company declared a distribution to certain of the Selling Stockholders and their affiliates that included all of the Subsidiaries' previously earned and undistributed S corporation earnings through the S Termination Date (the "S Corporation Distribution"). As of the date of the Reorganization, the Subsidiaries' aggregate undistributed taxable S corporation earnings were \$86.5 million. The S Corporation Distribution was distributed in the form of promissory notes bearing interest at 6% per annum. On April 4, 1997, the Company paid the outstanding S Distribution Note balance of \$71.5 million together with the related interest expense due. The stockholders of the Company prior to the Initial Public Offerings, which include Messrs. Blake M. Roney, Steven J. Lund and Keith R. Halls, who serve as officers of the Company, are the holders of the S Distribution Notes.

CONTROL BY SELLING STOCKHOLDERS

Upon consummation of the Offerings, approximately 97.2% of the combined voting power of the outstanding shares of Common Stock will be held by the Selling Stockholders and certain of their affiliates (approximately 97.0% if the underwriters' over-allotment options are exercised in full). Consequently, the Selling Stockholders and certain of their affiliates will have the ability, acting in concert, to elect all directors of the Company and approve any action requiring approval by a majority of the stockholders of the Company. Certain of the Selling Stockholders, including Messrs. Blake M. Roney, Steven J. Lund and Keith R. Halls, also own 100% of the outstanding shares of NSI. As a result of this ownership, these stockholders will consider the short-term and the long-term impact of all stockholder decisions on the consolidated financial results of NSI and the Company. The interests of NSI, on the one hand, and of the Company, on the other hand, may differ from time to time. See "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest" and "--Control by Selling Stockholders and Certain of Their Affiliates; Anti-Takeover Effect of Dual Classes of Common Stock."

OPERATING AGREEMENTS; RELATIONSHIP WITH NSI

NSI has licensed to the Company, through the Subsidiaries, rights to distribute NSI products and to use certain NSI property in the Company's markets, and NSIMG, an NSI affiliate, provides management support services to the Company and the Subsidiaries, pursuant to the Operating Agreements with the Subsidiaries, which include distribution, trademark/tradename license, licensing and sales, and management services agreements. Virtually all of the products sold by the Company are purchased from NSI pursuant to distribution agreements. The Company also manufactures itself, or through third-party manufacturers, certain products and commercial materials which it then sells using NSI trademarks or tradenames licensed under trademark/tradename license agreements. In addition, the Company does not have its own sales or distribution network but licenses the right to use NSI's distribution network and the Global Compensation Plan pursuant to licensing and sales agreements. NSIMG also provides a broad range of management, administrative and technical support to the Company pursuant to management services agreements. See "Business--Relationship with NSI."

During the year ended December 31, 1996, NSI and NSIMG charged the Company approximately \$185.5 million and \$4.2 million, respectively, for goods and services provided to the Company under the Operating Agreements. During the three months ended March 31, 1997, NSI and NSIMG charged the Company approximately \$66.7 million and \$1.8 million, respectively, for goods and services provided to the Company under the Operating Agreements. See Consolidated Financial Statements and the related notes thereto.

The Operating Agreements were approved by the Board of Directors of the Company, which was, except with respect to the approval of the Operating Agreements for Nu Skin Thailand, composed entirely of officers and shareholders of NSI at the time of each such approval. In addition, two of the executive officers of the Company, including the Chief Executive Officer, are also executive officers of NSI. It is expected that they will continue to spend a portion of their time on the affairs of NSI, for which they will continue to receive compensation from NSI in addition to amounts received from the Company for services to the Company. See "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest" and "Business--Relationship with NSI."

During 1996, Nu Skin Japan paid NSI a royalty of 8% of the revenue from sales of products manufactured by a third party manufacturer under a license agreement between Nu Skin Japan and NSI. In the three months ended March 31, 1997, Nu Skin Japan paid NSI \$.7 million in royalties under this agreement.

Pursuant to wholesale distribution agreements, Nu Skin Hong Kong distributes certain NSI products to Nu Skin Personal Care Australia, Inc. and Nu Skin New Zealand, Inc., affiliates of NSI. Pursuant to

these agreements, Nu Skin Hong Kong was paid approximately \$1.1 million during the three months ended March 31, 1997 by Nu Skin Personal Care Australia, Inc. and Nu Skin New Zealand, Inc.

Concurrently with the Initial Underwritten Offerings, the Company purchased from NSI for \$25.0 million the exclusive rights to distribute NSI products in Thailand, Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam. As of March 31, 1997, the Company had paid \$15.0 million of this amount. In addition, the Company and NSI have entered into a mutual indemnification agreement pursuant to which NSI has agreed to indemnify the Company for certain claims, losses and liabilities relating to the operations of the Subsidiaries prior to the Reorganization, and the Company has agreed to indemnify NSI for certain claims, losses and liabilities relating to the operations of the Subsidiaries after the Reorganization. Messrs. Blake M. Roney, Steven J. Lund and Keith R. Halls, who serve as officers of the Company, are stockholders of NSI. See "Business--Relationship with NSI."

STOCKHOLDERS' PARTNERSHIP

Craig Bryson and Craig S. Tillotson are major stockholders of the Company and have been NSI distributors since 1984. Messrs. Bryson and Tillotson are partners in an entity (the "Partnership") which receives substantial commissions from NSI, including commissions on sales generated within the Company's markets. For the year ended December 31, 1996, total commissions paid to the Partnership on sales originating in the Company's then open markets (Japan, Taiwan, Hong Kong and South Korea) were approximately \$1.2 million. By agreement, NSI pays commissions to the Partnership at the highest level of commissions available to distributors. Management believes that this arrangement allows Messrs. Bryson and Tillotson the flexibility of using their expertise and reputations in network marketing circles to sponsor, motivate and train distributors to benefit NSI's distributor force generally, without having to focus solely on their own organizations.

STOCKHOLDERS' AGREEMENT

The Selling Stockholders and certain of their affiliates have entered into a stockholders' agreement with the Company (the "Stockholders' Agreement"). Upon consummation of the Offerings, the Selling Stockholders and certain of their affiliates will beneficially own shares having approximately 97.2% of the combined voting power of the outstanding shares of Common Stock (approximately 97.0% if the underwriters' over-allotment options are exercised in full). In order to ensure the qualification of the Reorganization under Section 351 of the Code, the Selling Stockholders and certain of their affiliates have agreed not to transfer any shares they own through November 28, 1997 without the consent of the Company except for certain transfers relating to the funding of the Distributor Options and the grant of the employee stock bonus awards. The Company has consented to the Offerings and, in connection with the Offerings, the Selling Stockholders will enter into an amendment to the Stockholders Agreement providing for lock-up periods ranging from 6 months to two years depending on relative participation in the Offerings and imposing significant additional limits on the stockholders' ability to sell securities for an additional five years from the expiration of these lockups. See "Shares Eligible for Future Sale." After such date and subject to any volume limitations imposed by Rule 144, no such stockholder is permitted to transfer in any one-year period a number of shares equal to the greater of (i) 10% of the total number of shares of Common Stock originally issued to such stockholder in connection with the Reorganization, or (ii) 1.25% of the total Common Stock issued and outstanding at the time of such proposed transfer. The Selling Stockholders and certain of their affiliates have been granted registration rights by the Company permitting each such stockholder to register his or her shares of Class A Common Stock, subject to certain restrictions, on any registration statement filed by the Company until such stockholder has sold a specified value of shares of Class A Common Stock. See "Description of Capital Stock--Registration Rights."

AGREEMENTS AND ARRANGEMENTS WITH MANAGEMENT

Prior to the Initial Underwritten Offerings, the Company entered into indemnification agreements with its officers and directors indemnifying them against liability incurred by them in the course of their service to the Company. Pursuant to the 1996 Stock Incentive Plan, as of May 31, 1997, the Company had granted stock bonus awards to certain executive officers of the Company for an aggregate of 150,959 shares of Class A Common Stock. The shares of Class A Common Stock underlying each of these stock bonus awards will be issued to the recipient of the award at a rate of 25% per year commencing in November 1997, subject to certain restrictions. See "Management--1996 Stock Incentive Plan--Number of Shares." In January 1994, NSI stockholders agreed to grant M. Truman Hunt an option, which became immediately exercisable upon consummation of the Reorganization, to purchase 267,500 shares of Class A Common Stock at an aggregate exercise price of \$500,000, which reflects the agreed upon fair market value of this equity interest in January 1994. As of May 31, 1997, Mr. Hunt had exercised a portion of this option and purchased 16,675 shares of Class A Common Stock, which he then sold in the Initial Underwritten Offerings. The Company has employment agreements with certain of its executive officers. See "Management--Employment Agreements."

DISTRIBUTOR OPTIONS

Prior to the Rule 415 Offerings, the Selling Stockholders and certain of their affiliates converted 1,605,000 shares of Class B Common Stock into Class A Common Stock and contributed such shares to the Company for use in implementing an NSI distributor equity incentive program, and the Company granted to NSI the Distributor Options to acquire such 1,605,000 shares of Class A Common Stock. NSI is offering the Distributor Options to qualifying distributors of NSI in connection with the Rule 415 Offerings. The Distributor Options are subject to certain conditions related to distributor performance and will vest on December 31, 1997. The Company will record distributor stock expense for the Distributor Options. See "Shares Eligible for Future Sale."

PRINCIPAL AND SELLING STOCKHOLDERS+

The following table sets forth, as of May 31, 1997, certain information regarding the beneficial ownership of the Class A Common Stock and Class B Common Stock prior to and after the Offerings (assuming no exercise of the underwriters' over-allotment options) by (a) each person known by the Company to own beneficially more than 5% of either the outstanding shares of Class A Common Stock or Class B Common Stock; (b) each of the Company's directors; (c) each of the executive officers whose names appear in the summary compensation table; (d) each Selling Stockholder; and (e) all directors and executive officers as a group. The business address of the 5% stockholders is 75 West Center Street, Provo, Utah 84601.

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)	
	OWNED		TO BE OWNED AFTER		OWNED PRIOR TO AND	
	PRIOR TO	TO BE SOLD	THE OFFERINGS		AFTER THE OFFERINGS(3)	
	THE	IN THE				
OFFERINGS	OFFERINGS					
	NUMBER	NUMBER	NUMBER	%	NUMBER	%
Blake M. Roney(4)	853,564	853,564	--	--	19,775,485	30.6
Nedra D. Roney(5)	300,000	300,000	--	--	13,913,895	21.5
Sandra N. Tillotson(6)	722,719	722,719	--	--	7,836,791	12.1
Craig S. Tillotson(7)	596,545	596,545	--	--	3,814,512	5.9
R. Craig Bryson(8)	665,620	665,620	--	--	4,260,116	6.6
Steven J. Lund(9)	372,662	372,662	--	--	3,871,990	6.0
Brooke B. Roney(10)	633,066	633,066	--	--	2,863,685	4.4
Kirk V. Roney(11)	558,066	558,066	--	--	2,688,685	4.2
Keith R. Halls(12)	340,817	340,817	--	--	868,074	1.3
Max L. Pinegar(13)	14,000	--	14,000	*	--	--
Daniel W. Campbell	--	--	--	--	--	--
E.J. "Jake" Garn	--	--	--	--	--	--
Paula Hawkins	--	--	--	--	--	--

(CONTINUED ON FOLLOWING PAGE)

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	TOTAL COMMON STOCK
	VOTING POWER AFTER THE OFFERINGS
	%
Blake M. Roney(4)	29.7
Nedra D. Roney(5)	20.9
Sandra N. Tillotson(6)	11.8
Craig S. Tillotson(7)	5.7
R. Craig Bryson(8)	6.4
Steven J. Lund(9)	5.8
Brooke B. Roney(10)	4.3
Kirk V. Roney(11)	4.0
Keith R. Halls(12)	1.3
Max L. Pinegar(13)	*
Daniel W. Campbell	--
E.J. "Jake" Garn	--
Paula Hawkins	--

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+ The Selling Stockholders consist of certain individuals together with various estate planning entities. The following table identifies each individual selling directly and/or through an estate planning entity formed by such individual, and aggregates the number of shares being sold by each such individual, whether directly, through an estate planning entity or entities or some combination thereof. The following table is provided for clarification purposes only and assumes no exercise of the over-allotment options.

NAME	NUMBER OF SHARES OFFERED
Nedra D. Roney	1,278,325
Sandra N. Tillotson	1,053,464
Blake M. Roney	893,715
R. Craig Bryson	665,620
Craig S. Tillotson	665,620
Kirk V. Roney	633,066
Brooke B. Roney	633,066
Steven J. Lund	402,511
Keith R. Halls	293,280
Brooke F. Roney	185,111
Park R. Roney	185,111
Rick A. Roney	111,111

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)	
	OWNED PRIOR TO THE OFFERINGS	TO BE SOLD IN THE OFFERINGS	TO BE OWNED AFTER THE OFFERINGS		OWNED PRIOR TO AND AFTER THE OFFERINGS(3)	
			NUMBER	%		
	NUMBER	NUMBER	NUMBER	%	NUMBER	%
Renn M. Patch(14)	14,000	--	14,000	*	--	--
Michael D. Smith(15)	14,000	--	14,000	*	--	--
Takashi Bamba(16)	13,000	--	13,000	*	--	--
John Chou(17)	13,215	--	13,215	*	--	--
Rick A. Roney(18)	111,111	111,111	--	--	706,438	1.1
Burke F. Roney(19)	185,111	185,111	--	--	398,462	*
Park R. Roney(20)	185,111	185,111	--	--	398,462	*
BNASIA, Ltd.(21)	438,564	438,564	--	--	19,614,321	30.3
RCKASIA, Ltd.(22)	590,620	590,620	--	--	4,185,116	6.5
The Blake M. and Nancy L. Roney Foundation(23)	400,000	400,000	--	--	--	--
The S and K Lund Trust(24)	15,000	15,000	--	--	73,082	*
The Nedra Roney Foundation(25)	300,000	300,000	--	--	--	--
The Sandra N. Tillotson Foundation(26)	50,000	50,000	--	--	--	--
CST Rhino Company, L.C.(27)	25,000	25,000	--	--	475,000	*
The Sandra N. Tillotson Fixed Charitable Trust(28)	125,000	125,000	--	--	125,000	*
The Craig S. Tillotson Foundation(29)	70,000	70,000	--	--	--	--
The Craig S. Tillotson Fixed Charitable Trust(30)	55,000	55,000	--	--	57,500	*
SNT Rhino Company, L.C.(31)	50,000	50,000	--	--	950,000	1.5
The Bryson Foundation(32)	75,000	75,000	--	--	--	--
SKASIA, Ltd.(33)	210,511	210,511	--	--	2,934,240	4.5
The All R's Trust(34)	15,151	15,151	--	--	60,605	*
The Steven and Kalleen Lund Fixed Charitable Trust(35)	20,000	20,000	--	--	55,000	*
The Steven J. and Kalleen Lund Foundation(36)	127,000	127,000	--	--	--	--
BDASIA, Ltd.(37)	563,266	563,266	--	--	2,863,685	4.4
The Brooke Brennan and Denice Renee Roney Foundation(38)	69,800	69,800	--	--	--	--
KMASIA, Ltd.(39)	547,616	547,616	--	--	2,615,935	4.0
The Kirk V. and Melanie K. Roney Foundation(40)	8,200	8,200	--	--	--	--
The Kirk and Melanie Roney Fixed Charitable Trust(41)	2,250	2,250	--	--	72,750	*
KAASIA, Ltd.(42)	215,780	215,780	--	--	347,478	*
The MAR Trust(43)	37,037	37,037	--	--	167,727	*
The Nedra Roney Fixed Charitable Trust(44)	50,000	50,000	--	--	200,000	*
The Keith and Anna Lisa Halls Fixed Charitable Trust(45)	7,500	7,500	--	--	5,000	*
The Keith Ray and Anna Lisa Massaro Halls Foundation(46)	30,500	30,500	--	--	--	--

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DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	TOTAL COMMON STOCK
	VOTING POWER AFTER THE OFFERINGS
	%
Renn M. Patch(14)	*
Michael D. Smith(15)	*
Takashi Bamba(16)	*
John Chou(17)	*
Rick A. Roney(18)	1.1
Burke F. Roney(19)	*
Park R. Roney(20)	*
BNASIA, Ltd.(21)	29.5
RCKASIA, Ltd.(22)	6.3
The Blake M. and Nancy L. Roney Foundation(23)	--
The S and K Lund Trust(24)	*
The Nedra Roney Foundation(25)	--
The Sandra N. Tillotson Foundation(26)	--
CST Rhino Company, L.C.(27)	*
The Sandra N. Tillotson Fixed Charitable Trust(28)	*
The Craig S. Tillotson Foundation(29)	--
The Craig S. Tillotson Fixed Charitable Trust(30)	*
SNT Rhino Company, L.C.(31)	1.4
The Bryson Foundation(32)	--
SKASIA, Ltd.(33)	4.4

The All R's Trust(34).....	*
The Steven and Kalleen Lund Fixed Charitable Trust(35).....	*
The Steven J. and Kalleen Lund Foundation(36).....	--
BDASIA, Ltd.(37).....	4.3
The Brooke Brennan and Denice Renee Roney Foundation(38).....	--
KMASIA, Ltd.(39).....	3.9
The Kirk V. and Melanie K. Roney Foundation(40).....	--
The Kirk and Melanie Roney Fixed Charitable Trust(41).....	*
KAASIA, Ltd.(42).....	*
The MAR Trust(43).....	*
The Nedra Roney Fixed Charitable Trust(44).....	*
The Keith and Anna Lisa Halls Fixed Charitable Trust(45).....	*
The Keith Ray and Anna Lisa Massaro Halls Foundation(46).....	--
(CONTINUED ON FOLOWING PAGE)	

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)	
	OWNED PRIOR TO THE OFFERINGS	TO BE SOLD IN THE OFFERINGS	TO BE OWNED AFTER THE OFFERINGS		OWNED PRIOR TO AND AFTER THE OFFERINGS(3)	
	NUMBER	NUMBER	NUMBER	%	NUMBER	%
B&N Rhino Company, L.C.(47)	40,000	40,000	--	--	460,000	*
NR Rhino Company, L.C.(48)	891,288	891,288	--	--	608,712	*
S&K Rhino Company, L.C.(49)	30,000	30,000	--	--	120,000	*
K&A Rhino Company, L.C.(50)	2,500	2,500	--	--	12,500	*
K&M Rhino Company, L.C.(51)	75,000	75,000	--	--	175,000	*
The K&A Halls Trust(52)	37,000	37,000	--	--	51,082	*
The SNT Trust(53)	188,150	188,150	--	--	161,383	*
The DVNM Trust(54)	211,670	211,670	--	--	179,807	*
The CST Trust(55)	94,075	94,075	--	--	80,692	*
Craig F. McCullough(56)	1,038,788	1,038,788	--	--	1,376,212	2.1
Lee M. Brower(57)	399,820	399,820	--	--	1,718,352	2.7
All directors and officers as a group (18 persons)(58)	3,809,149	3,480,894	328,255	1.7	37,904,711	58.6
	TOTAL COMMON STOCK					
	VOTING POWER AFTER THE OFFERINGS					
DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	%					
B&N Rhino Company, L.C.(47)	*					
NR Rhino Company, L.C.(48)	*					
S&K Rhino Company, L.C.(49)	*					
K&A Rhino Company, L.C.(50)	*					
K&M Rhino Company, L.C.(51)	*					
The K&A Halls Trust(52)	*					
The SNT Trust(53)	*					
The DVNM Trust(54)	*					
The CST Trust(55)	*					
Craig F. McCullough(56)	2.1					
Lee M. Brower(57)	2.6					
All directors and officers as a group (18 persons)(58)	56.9					

* Less than 1%

(1) Each share of Class B Common Stock is convertible at any time at the option of the holder into one share of Class A Common Stock and each share of Class B Common Stock is automatically converted into one share of Class A Common Stock upon the transfer of such share of Class B Common Stock to any person who is not a Permitted Transferee, as defined in the Stockholders Agreement among the Selling Stockholders, certain of their affiliates and the Company. See "Certain Relationships and Related Transactions."

(2) Prior to the Offerings, the Selling Stockholders will convert shares of Class B Common Stock to Class A Common Stock to be sold in the Offerings.

(3) Does not reflect the exercise of the options granted by certain of the Selling Stockholders to the Underwriters exercisable for 30 days after the date of this Prospectus to purchase up to 1,050,000 additional shares of Class A Common Stock to cover over-allotments, if any, at the offering price, less the underwriting discount. Upon the exercise in full of the Underwriters' over-allotment options, such Selling Stockholders will convert shares of Class B Common Stock into 1,050,000 shares of Class A Common Stock for issuance to the Underwriters pursuant to such options.

(4) Includes shares beneficially owned or deemed to be owned beneficially by Blake M. Roney prior to the Offerings as follows: 438,564 shares of Class A Common Stock and 19,614,321 shares of Class B Common Stock as general partner of BNASIA, Ltd., a limited partnership, and with respect to which he shares voting and investment power with his wife Nancy L. Roney as set forth in footnote (21) below; 15,000 shares of Class A Common Stock and 161,165 shares of Class B Common Stock as trustee and with respect to which he has sole voting and investment power; and 400,000 shares of Class A Common Stock as co-trustee and with respect to which he shares voting and investment power with Nancy L. Roney as reported in footnote (23) below. If the Underwriters' over-allotment options are exercised in full, BNASIA, Ltd., of which Blake M. Roney and Nancy L. Roney are the general partners and who share voting and investment power, will sell to the Underwriters upon exercise of the over-allotment options, an additional 825,000 shares of Class A Common Stock, converted from Class B Common Stock, in which event the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Blake M. Roney would be 0 shares and 0%, the number

and percentage of shares of Class B Common Stock Owned After the Offerings would be 18,950,485 shares and 29.8% and the Voting Power After the Offerings would be 28.9%.

Blake M. Roney is the Chairman of the Board of Directors of the Company, and Chairman of the Board of Directors, an executive officer and a shareholder of NSI.

- (5) Includes shares beneficially owned or deemed to be owned beneficially by Nedra D. Roney prior to the Offerings as follows: 13,913,895 shares of Class B Common Stock directly and with respect to which she has sole voting and investment power; and 300,000 shares of Class A Common Stock as co-trustee and with respect to which she shares voting and investment power as reported in footnote (25) below. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Nedra D. Roney would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 13,913,895 shares and 21.9% and the Voting Power After the Offerings would be 21.2%. Nedra D. Roney is a Director and shareholder of NSI.
- (6) Includes shares beneficially owned or deemed to be owned beneficially by Sandra N. Tillotson prior to the Offerings as follows: 428,644 shares of Class A Common Stock and 7,156,099 shares of Class B Common Stock directly and with respect to which she has sole voting and investment power; 219,075 shares of Class A Common Stock and 205,692 shares of Class B Common Stock as trustee and with respect to which she has sole voting and investment power; 50,000 shares of Class A Common Stock as co-trustee and with respect to which she shares voting and investment power; and 25,000 shares of Class A Common Stock and 475,000 shares of Class B Common Stock as manager of a limited liability company and with respect to which she has sole voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Sandra N. Tillotson would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 7,836,791 shares and 12.3% and the Voting Power After the Offerings would be 11.9%. Sandra N. Tillotson is a Director of the Company, and a Director, executive officer and shareholder of NSI.
- (7) Includes shares beneficially owned or deemed to be owned beneficially by Craig S. Tillotson prior to the Offerings as follows: 421,545 shares of Class A Common Stock and 2,541,367 shares of Class B Common Stock directly and with respect to which he has sole voting and investment power; 125,000 shares of Class A Common Stock and 57,500 shares of Class B Common Stock as trustee and with respect to which he has sole voting and investment power; 265,645 shares of Class B Common Stock as co-trustee and with respect to which he shares voting and investment power; 50,000 shares of Class A Common Stock and 950,000 shares of Class B Common Stock as manager of a limited liability company and with respect to which he has sole voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Craig S. Tillotson would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 3,814,513 shares and 6.0% and the Voting Power After the Offerings would be 5.8%. Craig S. Tillotson is a shareholder of NSI.
- (8) Includes shares beneficially owned or deemed to be owned beneficially by R. Craig Bryson prior to the Offerings as follows: 590,620 shares of Class A Common Stock and 4,185,116 shares of Class B Common Stock as general partner of RCKASIA, Ltd., a limited partnership, and with respect to which he shares voting and investment power with his wife Kathleen D. Bryson as reported in footnote (22) below; 75,000 shares of Class A Common Stock and 75,000 shares of Class B Common Stock as co-trustee and with respect to which he shares voting and investment power with Kathleen D. Bryson. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by R. Craig Bryson would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 4,260,116 shares and 6.7% and the Voting Power After the Offerings would be 6.5%. R. Craig Bryson is a shareholder of NSI.
- (9) Includes shares beneficially owned or deemed to be owned beneficially by Steven J. Lund prior to the Offerings as follows: 210,511 shares of Class A Common Stock and 2,934,240 shares of Class B Common Stock as general partner of SKASIA, Ltd., a limited partnership, and with respect to which

he shares voting and investment power with his wife Kalleen Lund; 15,151 shares of Class A Common Stock and 882,750 shares of Class B Common Stock as trustee and with respect to which he has sole voting and investment power; 147,000 shares of Class A Common Stock and 55,000 shares of Class B Common Stock as co-trustee and with respect to which he shares voting and investment power with Kalleen Lund. If the Underwriters' over-allotment options are exercised in full, SKASIA, Ltd., of which Steven J. Lund and Kalleen Lund are the general partners and who share voting and investment power, will sell to the Underwriters upon exercise of the over-allotment options, an additional 225,000 shares of Class A Common Stock, converted from Class B Common Stock, in which event the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Steven J. Lund would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 3,646,990 shares and 5.7% and the Voting Power After the Offerings would be 5.6%. Steven J. Lund is a Director, President and Chief Executive Officer of the Company, and a Director, executive officer and shareholder of NSI.

(10) Includes shares beneficially owned or deemed to be owned beneficially by Brooke B. Roney prior to the Offerings as follows: 563,266 shares of Class A Common Stock and 2,863,685 shares of Class B Common Stock as general partner of BDASIA, Ltd., a limited partnership, and with respect to which he shares voting and investment power with his wife Denise R. Roney; and 69,800 shares of Class A Common Stock as co-trustee and with respect to which he shares voting and investment power with Denise R. Roney. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Brooke B. Roney would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 2,863,685 shares and 4.5% and the Voting Power After the Offerings would be 4.4%. Brooke B. Roney is a Director of the Company, and a Director, executive officer and shareholder of NSI.

(11) Includes shares beneficially owned or deemed to be owned beneficially by Kirk V. Roney prior to the Offerings as follows: 547,616 shares of Class A Common Stock and 2,615,935 shares of Class B Common Stock as general partner of KMASIA, Ltd., a limited partnership, and with respect to which he shares voting and investment power with his wife Melanie K. Roney; 8,200 shares of Class A Common Stock as co-trustee and with respect to which he shares voting and investment power with Melanie K. Roney; and 2,250 shares of Class A Common Stock and 72,750 shares of Class B Common Stock as co-trustee and with respect to which he shares voting and investment power with Melanie K. Roney and Lee S. McCullough. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Kirk V. Roney would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 2,688,685 shares and 4.2% and the Voting Power After the Offerings would be 4.1%. Kirk V. Roney is a Director of the Company, and a Director, executive officer and shareholder of NSI.

(12) Includes shares beneficially owned or deemed to be owned beneficially by Keith R. Halls prior to the Offerings as follows: 215,780 shares of Class A Common Stock and 347,478 shares of Class B Common Stock as general partner of KAASIA, Ltd., a limited partnership, and with respect to which he shares voting and investment power with his wife Anna Lisa Massaro Halls; 50,000 shares of Class B Common Stock as the manager of a limited liability company and with respect to which he has sole voting and investment power; 87,037 shares of Class A Common Stock and 465,596 shares of Class B Common Stock as trustee and with respect to which he has sole voting and investment power; and 38,000 shares of Class A Common Stock and 5,000 shares of Class B Common Stock as co-trustee and with respect to which he shares voting and investment power with Anna Lisa Massaro Halls. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Keith R. Halls would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 868,074 shares and 1.4% and the Voting Power After the Offerings would be 1.3%. Keith R.

Halls is a Director and Secretary of the Company, and a Director, executive officer and shareholder of NSI.

- (13) Includes shares beneficially owned or deemed to be owned beneficially by Max L. Pinegar as follows: 1,000 shares of Class A Common Stock directly and with respect to which he has sole voting and investment power; and 13,000 shares of Class A Common Stock issuable to Mr. Pinegar as an employee stock bonus award which will vest ratably, according to its terms, over four years following the date of the award. Max L. Pinegar is a Director of the Company, and an executive officer of NSI.
- (14) Includes shares beneficially owned or deemed to be owned beneficially by Renn M. Patch as follows: 1,000 shares of Class A Common Stock directly and with respect to which he has sole voting and investment power; and 13,000 shares of Class A Common Stock issuable to Mr. Patch as an employee stock bonus award which will vest ratably, according to its terms, over four years following the date of the award. Renn M. Patch is Chief Operating Officer of the Company, and an executive officer of NSI.
- (15) Includes shares beneficially owned or deemed to be owned beneficially by Michael D. Smith as follows: 1,000 shares of Class A Common Stock directly and with respect to which he has sole voting and investment power; and 13,000 shares of Class A Common Stock issuable to Mr. Smith as an employee stock bonus award which will vest ratably, according to its terms, over four years following the date of the award. Michael D. Smith is Vice President of Operations of the Company.
- (16) Includes shares beneficially owned or deemed to be owned beneficially by Takashi Bamba as follows: 13,000 shares of Class A Common Stock issuable to Mr. Bamba as an employee stock bonus award which will vest ratably, according to its terms, over four years following the date of the award. Takashi Bamba is President of Nu Skin Japan.
- (17) Includes shares beneficially owned or deemed to be owned beneficially by John Chou as follows: 215 shares of Class A Common Stock directly and with respect to which he has sole voting and investment power; and 13,000 shares of Class A Common Stock issuable to Mr. Chou as an employee stock bonus award which will vest ratably, according to its terms, over four years following the date of the award. John Chou is President of Nu Skin Taiwan.
- (18) Includes shares beneficially owned or deemed to be owned beneficially by Rick A. Roney prior to the Offerings as follows: 111,111 shares of Class A Common Stock and 618,356 shares of Class B Common Stock directly and with respect to which he has sole voting and investment power; 88,082 shares of Class B Common Stock as trustee and with respect to which he has sole voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Rick A. Roney would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 706,438 shares and 1.1% and the Voting Power After the Offerings would be 1.1%. Rick A. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Burke F. Roney and Park R. Roney.
- (19) Includes shares beneficially owned or deemed to be owned beneficially by Burke F. Roney prior to the Offerings as follows: 185,111 shares of Class A Common Stock and 398,462 shares of Class B Common Stock directly and with respect to which he has sole voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Burke F. Roney would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 398,462 shares and less than one percent and the Voting Power After the Offerings would be less than one percent. Burke F. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Rick A. Roney and Park R. Roney.
- (20) Includes shares beneficially owned or deemed beneficially owned by Park R. Roney prior to the Offerings as follows: 185,111 shares of Class A Common Stock and 398,462 shares of Class B Common Stock directly and with respect to which he has sole voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by Park R. Roney would be 0 shares and

0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 398,462 shares and less than one percent and the Voting Power After the Offerings would be less than one percent. Park R. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Rick A. Roney and Burke F. Roney.

- (21) Includes 438,564 shares of Class A Common Stock and 19,614,321 shares of Class B Common Stock owned by BNASIA, Ltd., a limited partnership of which Blake M. Roney and his wife Nancy L. Roney are the general partners and who share voting and investment power. If the Underwriters' over-allotment options are exercised in full, BNASIA, Ltd. will sell, pursuant to the Offerings, an additional 825,000 shares of Class A Common Stock, converted from Class B Common Stock, in which event the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by BNASIA, Ltd. would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 18,789,321 shares and 29.5% and the Voting Power After the Offerings would be 28.5%.
- (22) Includes 590,620 shares of Class A Common Stock and 4,185,116 shares of Class B Common Stock owned by RCKASIA, Ltd., a limited partnership of which R. Craig Bryson and his wife Kathleen D. Bryson are the general partners and who share voting and investment power. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by RCKASIA, Ltd. would be 0 shares and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 4,185,116 shares and 6.6% and the Voting Power After the Offerings would be 6.4%.
- (23) Blake M. Roney and Nancy L. Roney are co-trustees of the Blake M. and Nancy L. Roney Foundation and share voting and investment power with respect to shares of Class A Common Stock owned by such entity as reported in footnote (4) above. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After The Offerings by the Blake M. and Nancy L. Roney Foundation would be 0 and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.
- (24) Blake M. Roney is the trustee of the S and K Lund Trust and has sole voting and investment power with respect to shares of Class A and Class B Common Stock owned by such entity as reported in footnote (4) above. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After The Offerings by the S and K Lund Trust would be 0 and 0%, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 73,082 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (25) Nedra D. Roney is a co-trustee of the Nedra Roney Foundation and shares voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (5) above. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After The Offerings by the Nedra Roney Foundation would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.
- (26) Sandra N. Tillotson and Lee M. Brower are co-trustees of the Sandra N. Tillotson Foundation and share voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnotes (6) and (57) hereof. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock to be Owned After The Offerings by the Sandra N. Tillotson Foundation would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.
- (27) Sandra N. Tillotson is the manager of CST Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as

reported in footnote (6) above. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After The Offerings by CST Rhino, L.C. would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 475,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(28) Sandra N. Tillotson is a co-trustee of the Sandra N. Tillotson Fixed Charitable Trust and shares voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (6) above. If the Underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After The Offerings by the Sandra N. Tillotson Fixed Charitable Trust would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 125,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(29) Craig S. Tillotson and Lee M. Brower are co-trustees of the Craig S. Tillotson Foundation and share voting and investment power with respect to shares of Class A Common Stock owned by such entity as reported in footnotes (7) and (57) hereof. If the Underwriters' over-allotment options are exercised in full, the number and percentage of Class A Common Stock To Be Owned After The Offerings by the Craig S. Tillotson Foundation would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.

(30) Craig S. Tillotson and Lee M. Brower are co-trustees of the Craig S. Tillotson Fixed Charitable Trust and share voting and investment power with respect to shares of Class A and Class B Common Stock owned by such entity as reported in footnotes (7) and (57) hereof. If the underwriters' over-allotment options are exercised in full, the number and percentage of Class A Common Stock to be Owned After The Offerings by the Craig S. Tillotson Fixed Charitable Trust would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 57,500 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(31) Craig S. Tillotson is the manager of SNT Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (7) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of Class A Common Stock to be Owned After The Offerings by SNT Rhino Company, L.C. would be 0 and 0%, and the number and percentage of Class B Common Stock Owned After the Offerings would be 950,000 and 1.5% and the Voting Power After the Offerings would be 1.4%.

(32) R. Craig Bryson and Kathleen D. Bryson are co-trustees of The Bryson Foundation and share voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (8) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of Class A Common Stock to be Owned After The Offerings by The Bryson Foundation would be 0 and 0%, and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.

(33) Steven J. Lund and Kalleen Lund are the general partners of SKASIA, Ltd. and share voting and investment power with respect to shares of Class A and Class B Common Stock owned by such entity as reported in footnote (9) above. If the underwriters' over-allotted options are exercised in full, SKASIA, Ltd. will sell to the Underwriters upon exercise of the over-allotment option, an additional 225,000 shares of Class A Common Stock converted from Class B Common Stock to Class A Common Stock, in which event the number and percentage of shares of Class A Common Stock to be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 2,709,240 and 4.3% and the Voting Power After the Offerings would be 4.1%.

- (34) Steven J. Lund is the trustee of the All R's Trust and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (9) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock to be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 60,605 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (35) Steven J. Lund and Kalleen Lund are the co-trustees of The Steven J. and Kalleen Lund Fixed Charitable Trust and share voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (9) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock to be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 55,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (36) Steven J. Lund and Kalleen Lund are the co-trustees of The Steven and Kalleen Lund Foundation and share voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (9) above. If the underwriters' over-allotment option is exercised in full, the number and percentage of Class A Common Stock to be Owned After the Offering would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.
- (37) Brooke and Denice Roney are the general partners of BDASIA. Ltd. and share voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (10) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 2,863,685 and 4.4% and the Voting Power After the Offerings would 4.4%.
- (38) Brooke B. Roney and Denice R. Roney are the co-trustees of The Brooke Brennan and Denice Renee Roney Foundation and share voting and investment power with respect to the Class A Common Stock owned by such entity as reported in footnote (10) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would 0%.
- (39) Kirk V. Roney and Melanie K. Roney are the general partners of KMASIA, Ltd. and share voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (11) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 2,615,935 and 4.1% and the Voting Power After the Offerings would be 4.0%.
- (40) Kirk V. Roney and Melanie K. Roney are the co-trustees of The Kirk V. and Melanie K. Roney Foundation and share voting and investment power with respect to Class A Common Stock owned by such entity as reported in footnote (11) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and the Voting Power After the Offerings would be 0%.
- (41) Kirk V. Roney and Melanie K. Roney are co-trustees of The Kirk and Melanie Roney Fixed Charitable Trust and share voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (11) above. If the underwriters' over-

allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 72,750 and less than one percent and the Voting Power After the Offerings would be less than one percent.

- (42) Keith R. Halls and Anna Lisa Halls are the general partners of KAASIA, Ltd. and share voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (12) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 347,478 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (43) Keith R. Halls is the trustee of the MAR Trust and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (12) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 167,727 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (44) Keith R. Halls is a co-trustee of The Nedra Roney Fixed Charitable Trust and shares voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 200,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (45) Keith R. Halls and Anna Lisa Halls are the co-trustees of The Keith and Anna Lisa Halls Fixed Charitable Trust and share voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (12) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 5,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (46) Keith R. Halls and Anna Lisa Massaro Halls are co-trustees of The Keith Ray and Anna Lisa Massaro Halls Foundation and share voting and investment power with respect to the shares of Class A Common Stock owned by such entity as reported in footnote (12) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 0 and 0% and Voting Power After the Offerings would be 0%.
- (47) Craig F. McCullough is the manager of B&N Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (56) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 460,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.
- (48) Craig F. McCullough is the manager of NR Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (56) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would

be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 608,712 and 1.0% and the Voting Power After the Offerings would be less than one percent.

(49) Craig F. McCullough is the manager of S&K Rhino Company, L.C. and has the sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (56) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 120,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(50) Craig F. McCullough is the manager of K&A Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (56) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 12,500 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(51) Craig F. McCullough is the manager of K&M Rhino Company, L.C. and has the sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported in footnote (56) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 175,000 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(52) If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by the K&A Halls Trust would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 51,082 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(53) Lee M. Brower is the trustee of the SNT Trust and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity and reported in footnote (57) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 161,383 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(54) Lee M. Brower is the trustee of the DVNM Trust and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity and reported in footnote (57) below. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 179,807 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(55) Sandra N. Tillotson is the trustee of the CST Trust and has sole voting and investment power with respect to the shares of Class A and Class B Common Stock owned by such entity as reported above in footnote (6). If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 80,692 and less than one percent and the Voting Power After the Offerings would be less than one percent.

(56) Includes 1,038,788 shares of Class A Common Stock and 1,376,212 shares of Class B Common Stock beneficially owned or deemed to be owned beneficially by Craig F. McCullough prior to the Offerings as the manager of certain limited liability companies as reported in footnotes (47)-(51) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 1,376,212 and 2.2% and the Voting Power After the Offerings would be 2.1%.

(57) Includes 399,820 shares of Class A Common Stock and 1,718,352 shares of Class B Common Stock owned or deemed to be owned beneficially by Lee M. Brower prior to the Offerings as the trustee of certain trusts and foundations, and 519,820 shares of Class A Common Stock as co-trustee of certain foundations as reported in footnotes (26), (29), (30), (53) and (54) above. If the underwriters' over-allotment options are exercised in full, the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings would be 0 and 0% and the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 1,718,352 and 2.7% and the Voting Power After the Offerings would be 2.6%.

(58) Class A Common Stock owned prior to the Offerings includes 250,825 shares of Class A Common Stock subject to a stock option which has been granted to an executive officer of the Company and which is exercisable within 60 days of the Offerings. If the underwriters' over-allotment options are exercised in full, an additional 1,050,000 shares of Class A Common Stock will be converted from Class B Common Stock, in which event the number and percentage of shares of Class A Common Stock To Be Owned After the Offerings by all directors and officers as a group would be 328,255 shares and less than one percent, the number and percentage of shares of Class B Common Stock Owned After the Offerings would be 36,854,711 shares and 57.9% and the Voting Power After the Offerings would be 56.1%.

SHARES ELIGIBLE FOR FUTURE SALE

Unless otherwise specified herein, the following information assumes no exercise of the overallotment options granted to the Underwriters in connection with the Offerings.

Upon completion of the Offerings, the Company will have 18,723,011 shares of Class A Common Stock issued and outstanding. All of these shares are freely tradeable without restriction or further registration under the 1933 Act, unless held by "affiliates" of the Company, as that term is defined in Rule 144 under 1933 Act ("Rule 144"). The Company also currently has outstanding approximately 1,855,825 stock options and 150,959 employee stock bonus awards. Of the stock options, the 1,605,000 shares of Class A Common Stock issuable upon exercise of the Distributor Options and the 150,959 employee stock bonus awards have been registered under the 1933 Act and will accordingly, upon exercise and vesting, be freely tradeable subject to the affiliate restrictions contained in Rule 144. The Distributor Options will become exercisable in January 1998 and the employee stock bonus awards will vest at a rate of 25% per year commencing in November 1997.

In addition, upon completion of the Offerings, the Company will have 64,696,675 shares of Class B Common Stock issued and outstanding, each share of which is convertible at any time into one share of Class A Common Stock. The 64,696,675 shares of Class B Common Stock and the remaining 250,825 shares underlying the Company's outstanding stock options are "restricted" shares within the meaning of Rule 144. Restricted shares may not be resold in the public market except in compliance with the registration requirements of the 1933 Act or pursuant to an exemption therefrom, including the exemption provided by Rule 144. As currently in effect, Rule 144 provides that a person (or persons whose shares are aggregated) who has beneficially owned "restricted" shares of the Common Stock for at least one year will be entitled to sell on the open market in broker's transactions within any three-month period a number of shares that does not exceed the greater of (i) 1% of the outstanding shares of the Class A Common Stock or (ii) the average weekly trading volume in the Class A Common Stock on the open market during the four calendar weeks preceding such sale. Sales under Rule 144, as currently in effect, are also subject to certain notice requirements and the availability of current public information about the Company. Under Rule 144, the holders of the Class B Common Stock are deemed to have acquired such shares on November 20, 1996. Accordingly, under Rule 144 and pursuant to the volume limitations of such rule, the holders of the Class B Common Stock would, in the absence of the limitations outlined below, be able to commence reselling their shares of Common Stock on November 20, 1997.

In addition to the limitations imposed on the resale of restricted securities by the 1933 Act, the holders of approximately 2/3 of the shares of Class B Common Stock have agreed pursuant to the amended Stockholder's Agreement entered into in connection with the Offerings, not to resell any of their shares of Common Stock for two years following the date of the Offerings. The stockholders holding the remaining 1/3 of the shares of Class B Common Stock have agreed pursuant to the amended Stockholder's Agreement not to resell any of their shares of Common Stock for 6 months following the date of the Offerings if the Underwriters' overallotment options are not exercised in full and for two years if such overallotment options are exercised in full. Upon the expiration of these lockup periods, the amended Stockholder's Agreement will impose significant additional limits on the extent to which the stockholders can sell their shares of Common Stock for an additional five year period. The Selling Stockholders have also entered into a separate lockup arrangement with the Underwriters in connection with the Offerings. See "--Underwriting."

An aggregate of approximately 3,849,041 shares remain available for future option grants and other equity awards under the 1996 Stock Incentive Plan. See "Management--1996 Stock Incentive Plan." The Company intends to file a registration statement on Form S-8 under the 1933 Act to register all of the shares of Class A Common Stock reserved for issuance under the 1996 Stock Incentive Plan. Such registration statement is expected to be filed as soon as practicable and will become automatically effective upon filing. Shares issued under the 1996 Stock Incentive Plan after such registration statement is filed

may thereafter be sold in the open market, subject to the Rule 144 volume limitations applicable to affiliates and any transfer restrictions imposed on the date of the grant.

DESCRIPTION OF CAPITAL STOCK

GENERAL

As of the date of this Prospectus, the authorized capital stock of the Company consists of 500,000,000 shares of Class A Common Stock, par value \$.001 per share, and 100,000,000 shares of Class B Common Stock, par value \$.001 per share, and 25,000,000 shares of Preferred Stock, par value \$.001 per share ("Preferred Stock"). Following the Offerings (assuming no exercise of the over-allotment options granted to the underwriters), the Company will have 18,723,011 shares of Class A Common Stock issued and outstanding. This number includes (i) 7,000,000 shares of Class A Common Stock to be issued upon conversion of 7,000,000 shares of Class B Common Stock and sold by the Selling Stockholders in the Offerings, and excludes (a) 3,849,041 shares of Class A Common Stock reserved for issuance pursuant to the 1996 Stock Incentive Plan; (b) 250,825 shares of Class A Common Stock subject to a stock option which was granted to an executive officer of the Company; (c) 1,605,000 shares issuable upon exercise of the Distributor Options; and (d) 150,959 shares issuable pursuant to employee stock bonus awards. In addition, upon completion of the Offerings, the Company will have 64,696,675 shares of Class B Common Stock issued and outstanding, all of which are held of record by the Selling Stockholders and certain of their affiliates. Of the authorized shares of Preferred Stock, no shares of Preferred Stock are outstanding. The following description is a summary and is subject to and qualified in its entirety by reference to the provisions of the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

COMMON STOCK

The approximate number of holders of record of the Company's Class A Common Stock and Class B Common Stock as of May 31, 1997 was 541 and 58, respectively. Those numbers may not represent the actual number of beneficial owners of shares of the Company's Class A Common Stock and Class B Common Stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares. The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions regarding the shares of the Class B Common Stock, as described below.

VOTING RIGHTS. Each share of Class A Common Stock entitles the holder to one vote on each matter submitted to a vote of the Company's stockholders and each share of Class B Common Stock entitles the holder to ten votes on each such matter, including the election of directors. There is no cumulative voting. Except as required by applicable law, holders of Class A Common Stock and holders of Class B Common Stock will vote together on all matters submitted to a vote of the stockholders. With respect to certain corporate changes, such as liquidations, reorganizations, recapitalizations, mergers, consolidations and sales of substantially all of the Company's assets, holders of Class A Common Stock and holders of Class B Common Stock will vote together as a single class and the approval of 66 2/3% of the outstanding voting power is required to authorize or approve such transactions. See "Risk Factors--Control by Selling Stockholders and certain of their affiliates; Anti-Takeover Effect of Dual Classes of Common Stock" and "--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

Any action that can be taken at a meeting of the stockholders may be taken by written consent in lieu of a meeting if the Company receives consents signed by stockholders having the minimum number of votes that would be necessary to approve the action at a meeting at which all shares entitled to vote on the matter were present. This could permit holders of Class B Common Stock to take all actions required to be taken by the stockholders without providing the other stockholders an opportunity to make nominations or

raise other matters at a meeting. The right to take action by less than unanimous written consent expires at such time as there are no shares of Class B Common Stock outstanding.

DIVIDENDS. Holders of Class A Common Stock and holders of Class B Common Stock are entitled to receive dividends at the same rate if, as and when such dividends are declared by the Board of Directors of the Company out of assets legally available therefor after payment of dividends required to be paid on shares of Preferred Stock, if any.

If a dividend or distribution payable in Class A Common Stock is made on the Class A Common Stock, the Company must also make a pro rata and simultaneous dividend or distribution on the Class B Common Stock payable in shares of Class B Common Stock. Conversely, if a dividend or distribution payable in Class B Common Stock is made on the Class B Common Stock, the Company must also make a pro rata and simultaneous dividend or distribution on the Class A Common Stock payable in shares of Class A Common Stock. See "Risk Factors--Absence of Dividends" and "Dividend Policy."

RESTRICTIONS ON TRANSFER. If a holder of Class B Common Stock transfers such shares, whether by sale, assignment, gift, bequest, appointment or otherwise, to a person other than a permitted transferee (as defined in the Company's Certificate of Incorporation) such shares will be converted automatically into shares of Class A Common Stock. In the case of a pledge of shares of Class B Common Stock to a financial institution, such shares will not be deemed to be transferred unless and until a foreclosure occurs.

CONVERSION. The Class A Common Stock has no conversion rights. The Class B Common Stock is convertible into shares of Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. In the event of a transfer of shares of Class B Common Stock to any person other than a Permitted Transferee each share of Class B Common Stock so transferred automatically will be converted into one share of Class A Common Stock. Each share of Class B Common Stock will also automatically convert into one share of Class A Common Stock if, on the record date for any meeting of the stockholders, the number of shares of Class B Common Stock then outstanding is less than 10% of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding.

LIQUIDATION. In the event of liquidation, after payment of the debts and other liabilities of the Company and after making provision for the holders of Preferred Stock, if any, the remaining assets of the Company will be distributable ratably among holders of Class A Common Stock and holders of Class B Common Stock treated as a single class.

MERGERS AND OTHER BUSINESS COMBINATIONS. Upon the merger or consolidation of the Company, holders of each class of Common Stock are entitled to receive equal per share payments or distributions, except that in any transaction in which shares of capital stock are distributed, such shares may differ as to voting rights to the extent and only to the extent that the voting rights of the Class A Common Stock and the Class B Common Stock differ at that time. The Company may not dispose of all or any substantial part of the assets of the Company to, or merge or consolidate with, any person, entity or "group" (as defined in Rule 13d-5 of the 1934 Act), which beneficially owns in the aggregate 10% or more of the outstanding Common Stock of the Company (a "Related Person") without the affirmative vote of the holders, other than such Related Person, of not less than 66 2/3% of the voting power of outstanding Class A Common Stock and Class B Common Stock voting as a single class. For the sole purpose of determining the 66 2/3% vote, a Related Person will also include the seller or sellers from whom the Related Person acquired, during the preceding six months, at least 5% of the outstanding shares of Class A Common Stock in a single transaction or series of related transactions pursuant to one or more agreements or other arrangements (and not through a brokers' transaction), but only if such seller or sellers have beneficial ownership of shares of Common Stock having a fair market value in excess of \$10 million in the aggregate following such disposition to such Related Person. This 66 2/3% voting requirement is not applicable, however, if (i) the proposed transaction is approved by a vote of not less than a majority of the directors of the

Company who are neither affiliated nor associated with the Related Person (or the seller of shares to the Related Person as described above) or (ii) in the case of a transaction pursuant to which the holders of Common Stock are entitled to receive cash, property, securities or other consideration, the cash or fair market value of the property, securities or other consideration to be received per share in such transaction is not less than the higher of (A) the highest price per share paid by the Related Person for any of its holdings of Common Stock within the two-year period immediately prior to the announcement of the proposed transaction or (B) the highest closing sale price during the 30-day period immediately preceding such date or during the 30-day period immediately preceding the date on which the Related Person became a Related Person, whichever is higher. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

OTHER PROVISIONS. Holders of the Class A Common Stock and holders of Class B Common Stock are not entitled to preemptive rights. Neither the Class A Common Stock nor the Class B Common Stock may be subdivided or combined in any manner unless the other class is subdivided or combined in the same proportion.

TRANSFER AGENT AND REGISTRAR. The Transfer Agent and Registrar for the Class A Common Stock is American Stock Transfer and Trust Company.

LISTING. The Class A Common Stock is traded on the New York Stock Exchange under the trading symbol "NUS." There is currently no public market for the Company's Class B Common Stock.

PREFERRED STOCK

The Board of Directors is authorized, subject to any limitations prescribed by the DGCL or the rules of the New York Stock Exchange or other organizations on whose systems stock of the Company may be quoted or listed, to provide for the issuance of additional shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, powers, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of such series, without any further vote or action by the stockholders. The approval of the holders of at least 66 2/3% of the combined voting power of the outstanding shares of Common Stock, however, is required for the issuance of shares of Preferred Stock that have the right to vote for the election of directors under ordinary circumstances or to elect 50% or more of the directors under any circumstances. Depending upon the terms of the Preferred Stock established by the Company's Board of Directors, any or all series of Preferred Stock could have preference over the Common Stock with respect to dividends and other distributions and upon liquidation of the Company or could have voting or conversion rights that could adversely affect the holders of the outstanding Common Stock. In addition, the Preferred Stock could delay, defer or prevent a change of control of the Company. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions." The Company has no present plans to issue any shares of Preferred Stock.

OTHER CHARTER AND BYLAW PROVISIONS

Special meetings of stockholders may be called only by the majority stockholders, the Company's Board of Directors, the President or the Secretary. Except as otherwise required by law, stockholders, in their capacity as such, are not entitled to request or call a special meeting of the stockholders.

Stockholders of the Company are required to provide advance notice of nominations of directors to be made at, and of business proposed to be brought before, a meeting of the stockholders. The failure to deliver proper notice within the periods specified in the Company's Amended and Restated Bylaws (the "Bylaws") will result in the denial of the stockholder of the right to make such nominations or propose

such action at the meeting. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

The Company is a Delaware corporation and is subject to the provisions of Section 203 of the DGCL (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" with an "interested stockholder" (a stockholder who, together with affiliates and associates, within the prior three years did own 15% or more of the corporation's outstanding voting stock) for three years following the date that such stockholder became an "interested stockholder," unless the "business combination" or "interested stockholder" is approved in a prescribed manner. A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law. See "Risk Factors--Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions."

INDEMNIFICATION AND LIMITATION OF LIABILITY OF DIRECTORS AND OFFICERS

To the fullest extent permitted by the DGCL, the Company's Certificate of Incorporation and Bylaws provide that the Company shall indemnify and advance expenses to each of its directors, officers, employees and agents. The Company believes the foregoing provisions are necessary to attract and retain qualified persons as directors and officers. The Company has entered into separate indemnification agreements with each of its directors and executive officers in order to effectuate such provisions. See "Certain Relationships and Related Transactions." The Company's Certificate of Incorporation also provides for, to the fullest extent permitted by the DGCL, elimination or limitation of liability of directors for breach of their fiduciary duty to the Company or its stockholders.

REGISTRATION RIGHTS

Under the Stockholders' Agreement, the Selling Stockholders have been granted registration rights by the Company permitting each of such Selling Stockholders to register his or her shares of Class A Common Stock, subject to certain restrictions, on any registration statement filed by the Company until such Selling Stockholder had sold a specified value of shares of Class A Common Stock. These registration rights will be terminated upon the closing of the Offerings. See "Certain Relationships and Related Transactions."

CERTAIN UNITED STATES TAX CONSEQUENCES
TO NON-UNITED STATES HOLDERS

The following is a general discussion of certain United States federal income and estate tax consequences of the ownership and disposition of Class A Common Stock by a Non-U.S. Holder. For this purpose, a "Non-U.S. Holder" is any person who is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual, a foreign partnership or a foreign estate or trust. This discussion does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to such Non-U.S. Holders in light of their personal circumstances. Furthermore, this discussion is based on provisions of the Code, existing and proposed regulations promulgated thereunder and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change (possibly with retroactive effect). Each prospective purchaser of Class A Common Stock is advised to consult a tax advisor with respect to current and possible future tax consequences of acquiring, holding and disposing of Class A Common Stock as well as any tax consequences that may arise under the laws of any U.S. state, municipality or other taxing jurisdiction.

An individual may, subject to certain exceptions, be deemed to be a resident alien (as opposed to a non-resident alien) by virtue of being present in the United States for 183 days or more during the calendar year or on at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year). Resident aliens are subject to U.S. federal tax as if they were U.S. citizens.

DIVIDENDS

Dividends paid to a Non-U.S. Holder of Class A Common Stock generally will be subject to withholding of United States federal income tax either at a rate of 30% of the gross amount of the dividends or at such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment of the Non-U.S. Holder, are not subject to the withholding tax (provided the Non-U.S. Holder files appropriate documentation, including, under current law, IRS Form 4224, with the payor of the dividend), but instead are subject to United States federal income tax on a net income basis at applicable graduated individual or corporate rates. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Under current law, dividends paid to an address outside the United States are presumed to be paid to a resident of such country (unless the payer has knowledge to the contrary) for purposes of the withholding discussed above and for purposes of determining the applicability of a tax treaty rate. However, under proposed Treasury regulations not currently in effect, in the case of dividends paid after December 31, 1997 (December 31, 1999 in the case of dividends paid to accounts in existence on or before the date that is 60 days after the proposed regulations are published as final regulations), a Non-U.S. Holder of Class A Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy applicable certification and other requirements either directly or through an intermediary. In addition, backup withholding, as discussed below, may apply in certain circumstances if applicable certification and other requirements are not met.

A Non-U.S. Holder of Class A Common Stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service (the "IRS").

GAIN ON DISPOSITION OF COMMON STOCK

A Non-U.S. Holder will generally not be subject to United States federal income tax with respect to gain recognized on a sale or other disposition of Class A Common Stock unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States, and, where a tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. Holder, (ii) in the case of a Non-U.S. Holder who is an individual and holds the Class A Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, or (iii) the Company is or has been a "U.S. real property holding corporation" for United States federal income tax purposes. The Company believes it is not and does not anticipate becoming a "U.S. real property holding corporation" for United States federal income tax purposes.

If an individual Non-U.S. Holder falls under clause (i) above, he will, unless an applicable treaty provides otherwise, be taxed on his net gain derived from the sale under regular graduated United States federal income tax rates. If an individual Non-U.S. Holder falls under clause (ii) above, he will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by certain United States capital losses.

If a Non-U.S. Holder that is a foreign corporation falls under clause (i) above, it will be taxed on its gain under regular graduated United States federal income tax rates and may be subject to an additional branch profits tax at a 30% rate, unless it qualifies for a lower rate under an applicable income tax treaty.

FEDERAL ESTATE TAX

Class A Common Stock held by an individual Non-U.S. Holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

The Company must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

A backup withholding tax is imposed at the rate of 31% on certain payments to persons that fail to furnish certain identifying information to the payor. Under current law, backup withholding generally will not apply to dividends paid to a Non-U.S. Holder at an address outside the United States (unless the payer has knowledge that the payee is a U.S. person), but generally will apply to dividends paid on Class A Common Stock at addresses inside the United States to Non-U.S. Holders that fail to provide certain identifying information in the manner required. However, under proposed Treasury regulations not currently in effect, in the case of dividends paid after December 31, 1997 (December 31, 1999 in the case of dividends paid to accounts in existence on or before the date that is 60 days after the proposed regulations are published as final regulations), a Non-U.S. Holder generally would be subject to backup withholding at a 31% rate, unless certain certification procedures (or, in the case of payments made outside the United States with respect to an offshore account, certain documentary evidence procedures) are complied with, directly or through an intermediary or a Non-U.S. Holder otherwise establishes an exemption from backup withholding.

Payment of the proceeds of a sale of Class A Common Stock by or through a United States office of a broker is subject to both backup withholding and information reporting unless the beneficial owner provides the payor with its name and address and certifies under penalties of perjury that it is a Non-U.S.

Holder, or otherwise establishes an exemption. In general, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of Class A Common Stock by or through a foreign office of a foreign broker. If, however, such broker is, for United States federal income tax purposes a U.S. person, a controlled foreign corporation, or a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, such payments will be subject to information reporting, but not backup withholding, unless (i) such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain other conditions are met, or (ii) the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished in a timely manner to the IRS.

UNDERWRITING

The U.S. Underwriters named below (the "U.S. Underwriters"), acting through their U.S. representatives, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Morgan Stanley & Co., Incorporated, Nomura Securities International, Inc. and Paine Webber Incorporated (collectively, the "U.S. Representatives"), have severally agreed, subject to the terms and conditions of a U.S. Purchase Agreement (the "U.S. Purchase Agreement") with the Company and the Selling Stockholders to purchase from the Selling Stockholders the number of shares of Class A Common Stock set forth opposite their respective names below.

U.S. UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Morgan Stanley & Co. Incorporated.....	
Nomura Securities International, Inc.....	
PaineWebber Incorporated.....	
Total.....	5,600,000

The Company and the Selling Stockholders have also entered into an International Purchase Agreement (the "International Purchase Agreement" and together with the U.S. Purchase Agreement, the "Purchase Agreements") with certain underwriters outside the United States and Canada (the "International Managers"), for whom Merrill Lynch International, Morgan Stanley & Co. International Limited, Nomura International plc and PaineWebber Incorporated are acting as representatives (the "Lead International Managers" and together with the U.S. Representatives, the "Representatives"). Subject to the terms and conditions set forth in the International Purchase Agreement, the Selling Stockholders have agreed to sell to the International Underwriters, and the International Underwriters have severally agreed to purchase, an aggregate of 1,400,000 shares of Class A Common Stock pursuant to Regulation S ("Regulation S") under the 1933 Act.

In each Purchase Agreement, the Underwriters named therein have agreed, subject to the terms and conditions set forth in such Purchase Agreement, to purchase all of the shares of Class A Common Stock being sold pursuant to such Purchase Agreement if any of the shares of Class A Common Stock being sold pursuant to such Purchase Agreement are purchased. Under certain circumstances, under the U.S. or International Purchase Agreements, the commitments of non-defaulting Underwriters may be increased. Each Purchase Agreement provides that the Selling Stockholders are not obligated to sell, and the U.S. Underwriters and the International Managers are not obligated to purchase, the shares of Class A Common Stock under the terms of each Purchase Agreement unless the shares of Class A Common Stock to be sold pursuant to the Purchase Agreements are contemporaneously sold.

The initial public offering price per share and the total underwriting discount per share are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

The Company and the Selling Stockholders have been informed that the U.S. Underwriters and the International Managers have entered into an Intersyndicate Agreement dated the date hereof (the "Intersyndicate Agreement") which provides for the coordination of their activities. Under the terms of

the Intersyndicate Agreement, the U.S. Underwriters and the International Managers are permitted to sell shares of Class A Common Stock to each other.

The Company and the Selling Stockholders have been informed that, under the terms of the Intersyndicate Agreement (i) the U.S. Underwriters and any dealer to whom they sell shares of Class A Common Stock will not offer to sell or resell shares of Class A Common Stock to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, and (ii) the International Managers and any dealer to whom they sell shares of Class A Common Stock will not offer to sell or resell shares of Class A Common Stock to U.S. or Canadian persons, or to persons they believe intend to resell to persons who are U.S. or Canadian persons, except in each case for transactions pursuant to the Intersyndicate Agreement, which, among other things, permits the Underwriters to purchase from each other and offer for resale such number of shares of Class A Common Stock as the selling Underwriter or Underwriters and the purchasing Underwriter or Underwriters may agree. As used in this section, "United States Person" shall mean any person who is a "United States Person," as such term is defined in Regulation S, which includes (i) any natural person resident in the United States, (ii) any estate or trust of which any executor, administrator or trustee is a United States Person, with certain exceptions relating to estates governed by foreign law and trusts of which no beneficiary is a United States Person, (iii) any agency or branch of a foreign entity located in the United States, (iv) any non-discretionary account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a United States Person, (v) any discretionary account incorporated in the United States, with certain exceptions relating to accounts held for the benefit or account of non-United States Persons and (vi) any corporation or partnership incorporated or organized under the laws of any foreign jurisdiction by a United States Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the 1933 Act) who are not natural persons, estates or trusts. In accordance with Regulation S, "United States Person" as used herein does not include (i) any agency or branch of a United States Person located outside of the United States that is engaged in the business of banking or insurance and is subject to substantive banking or insurance regulation in the jurisdiction where located or (ii) any employee benefit plan established and administered in accordance with the law and customary practice of a country other than the United States. "Canadian Person" shall mean any individual who is resident in Canada or any corporation, pension, profit-sharing or other trust or entity organized under or governed by the laws of Canada or any political subdivision thereof (other than a foreign branch or office of any Canadian Corporation), and shall include, respectively, any Canadian branch or office of a person other than a Canadian Person. "United States" shall mean the United States of America, its territories, its possessions and all areas subject to its jurisdiction. "Canada" shall mean the provinces of Canada, its territories, its possessions and all areas subject to its jurisdiction.

Certain of the Selling Stockholders have granted the U.S. Underwriters and the International Managers options exercisable for 30 days after the date of this Prospectus to purchase up to 840,000 and 210,000 additional shares of Class A Common Stock, respectively, to cover over-allotments, if any, at the public offering price, less the underwriting discount. To the extent that the U.S. Underwriters and International Managers exercise such options, each of the U.S. Underwriters and International Managers will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage of the option shares that the number of shares to be purchased initially by that Underwriter is of the number of shares of Common Stock initially purchased by the U.S. Underwriters and International Managers.

The U.S. Representatives have advised the Company and the Selling Stockholders that the U.S. Underwriters propose to offer the shares of Class A Common Stock to the public initially at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of \$ per share. The U.S. Underwriters may allow, and such dealers may

reallow, a discount not in excess of \$ per share on sales to certain other dealers. After the public offering of the Class A Common Stock, the public offering price, concession and discount may be changed.

The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities which may be incurred in connection with the offering of the Class A Common Stock and the exercise of the over-allotment options, including liabilities under the 1933 Act and other applicable securities laws.

Without the consent of Merrill Lynch, the Company's executive officers and directors and the Selling Stockholders have agreed that they will not, for a period of 365 days following the date of this Prospectus, directly or indirectly, offer to sell, grant any option for the sale of, or otherwise dispose of, any shares of Common Stock or any securities convertible into or exchangeable or exercisable for any such shares. The Company has agreed to a similar restriction for a period of 90 days. The foregoing agreements are subject to certain exceptions. See "Shares Eligible for Future Sale."

Until the distribution of the Common Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of the Class A Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Class A Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offerings, i.e., if they sell more shares of Class A Common Stock than are set forth on the cover page of this Prospectus, the Representatives may reduce that short position by purchasing Class A Common Stock in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment options described above.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the Class A Common Stock to be higher than it might be in the absence of such purchases.

Neither the Company, the Selling Stockholders nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Class A Common Stock. In addition, neither the Company, the Selling Stockholders nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The U.S. Representatives have informed the Company that the U.S. Underwriters do not intend to confirm sales of Class A Common Stock offered hereby to any accounts over which they exercise discretionary authority.

LEGAL MATTERS

The validity of the issuance of the shares of Class A Common Stock offered hereby will be passed upon for the Company and the Selling Stockholders by LeBoeuf, Lamb, Greene & MacRae, L.L.P., a limited liability partnership including professional corporations, Salt Lake City, Utah. Certain legal matters will be passed upon for the U.S. Underwriters and the International Managers by Shearman & Sterling, San Francisco, California.

EXPERTS

The consolidated financial statements of Nu Skin Asia Pacific, Inc. at December 31, 1995 and 1996 and for the year ended September 30, 1994, the three months ended December 31, 1994 and the years ended December 31, 1995 and 1996 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed a Registration Statement on Form S-1, of which this Prospectus is a part, with the Securities and Exchange Commission (the "Commission") under the 1933 Act with respect to the shares of Class A Common Stock offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Class A Common Stock offered hereby, reference is made to the Registration Statement, including the financial schedules and exhibits filed therewith. Statements made in this Prospectus as to the contents of any contract, agreement or other documents are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise with the Commission. Each such statement shall be deemed qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Commission. The Registration Statement and the exhibits thereto, as well as any such reports and other information to be filed by the Company with the Commission, may be inspected and copied at the public reference facilities of the Commission, 450 Fifth Street, N.W., Washington D.C. 20549, and at the Commission's offices at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2311. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington D.C. 20549 at prescribed rates. The Commission also maintains a site on the World Wide Web, the address of which is <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the Commission. Such reports and other information may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

NU SKIN ASIA PACIFIC, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE -----
CONSOLIDATED FINANCIAL STATEMENTS:	
Report of Independent Accountants.....	F-2
Consolidated Balance Sheets at December 31, 1995 and 1996, and at March 31, 1997 (unaudited).....	F-3
Consolidated Statements of Income for the year ended September 30, 1994, the three months ended December 31, 1994, the years ended December 31, 1995 and 1996, and the three months ended March 31, 1996 (unaudited) and 1997 (unaudited).....	F-4
Consolidated Statements of Stockholders' Equity for the year ended September 30, 1994, the three months ended December 31, 1994, the years ended December 31, 1995 and 1996, and the three months ended March 31, 1997 (unaudited).....	F-5
Consolidated Statements of Cash Flows for the year ended September 30, 1994, the three months ended December 31, 1994, the years ended December 31, 1995 and 1996, and the three months ended March 31, 1996 (unaudited) and 1997 (unaudited).....	F-6
Notes to Consolidated Financial Statements.....	F-7
UNAUDITED PRO FORMA DATA:	
Unaudited Pro Forma Consolidated Statement of Income for the Year Ended December 31, 1995.....	F-19
Unaudited Pro Forma Consolidated Statement of Income for the Year Ended December 31, 1996.....	F-20
Unaudited Pro Forma Consolidated Statement of Income for the Three Months Ended March 31, 1996.....	F-21
Notes to Unaudited Pro Forma Consolidated Statements of Income.....	F-22

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Nu Skin Asia Pacific, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Nu Skin Asia Pacific, Inc. and its subsidiaries at December 31, 1995 and 1996, and the results of their operations and their cash flows for the year ended September 30, 1994, the three months ended December 31, 1994, and the years ended December 31, 1995 and 1996, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Salt Lake City, Utah
February 19, 1997

NU SKIN ASIA PACIFIC, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED SEPTEMBER 30, 1994	THREE MONTHS ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
			1995	1996	1996	1997
					(UNAUDITED)	
Revenue.....	\$ 254,637	\$ 73,562	\$ 358,609	\$ 678,596	\$ 124,185	\$ 210,994
Cost of sales.....	86,872	19,607	96,615	193,158	34,815	60,741
Gross profit.....	167,765	53,955	261,994	485,438	89,370	150,253
Operating expenses						
Distributor incentives.....	95,737	27,950	135,722	249,613	46,181	80,543
Selling, general and administrative.....	44,566	13,545	67,475	105,477	20,027	34,483
Distributor stock expense.....	--	--	--	1,990	--	4,477
Total operating expenses.....	140,303	41,495	203,197	357,080	66,208	119,503
Operating income.....	27,462	12,460	58,797	128,358	23,162	30,750
Other income (expense), net.....	443	(813)	511	2,833	274	1,770
Income before provision for income taxes.....	27,905	11,647	59,308	131,191	23,436	32,520
Provision for income taxes (Note 10).....	10,226	2,730	19,097	49,494	8,686	12,032
Net income.....	\$ 17,679	\$ 8,917	\$ 40,211	\$ 81,697	\$ 14,750	\$ 20,488
Pro forma net income per share (Note 2).....			\$.50	\$ 1.01	\$.18	\$.24
Pro forma weighted average common shares outstanding.....			80,518	81,060	80,518	85,416
Unaudited pro forma data:						
Income before pro forma provision for income taxes.....	\$ 27,905	\$ 11,647	\$ 59,308	\$ 131,191	\$ 23,436	
Pro forma provision for income taxes (Note 10).....	10,391	4,041	22,751	45,945	8,207	
Income after pro forma provision for income taxes.....	\$ 17,514	\$ 7,606	\$ 36,557	\$ 85,246	\$ 15,229	
Pro forma net income per share (Note 2).....			\$.45	\$ 1.05	\$.19	

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

NU SKIN ASIA PACIFIC, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)

	CAPITAL STOCK	CLASS A COMMON STOCK	CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS	DEFERRED COMPENSATION
Balance at October 1, 1993...	\$ 1,300				\$ 102	\$ 5,524	
Net change in cumulative foreign currency translation adjustment.....	--				329	--	
Net income.....	--				--	17,679	
Balance at September 30, 1994.....	1,300				431	23,203	
Net change in cumulative foreign currency translation adjustment.....	--				10	--	
Net income.....	--				--	8,917	
Balance at December 31, 1994.....	1,300				441	32,120	
Contributed capital.....	3,250				--	--	
Dividends.....	--				--	(12,170)	
Net change in cumulative foreign currency translation adjustment.....	--				(3,381)	--	
Net income.....	--				--	40,211	
Balance at December 31, 1995.....	4,550				(2,940)	60,161	
Reorganization and termination of S corporation status (Note 1).....	(4,550)		\$ 80	\$ 1,209	--	3,261	
Net proceeds from the Initial Underwritten Offerings and conversion of shares by stockholders (Note 1).....	--	\$ 12	(8)	98,829	--	--	
Dividends.....	--	--	--	--	--	(47,139)	
Issuance of notes payable to stockholders (Note 3).....	--	--	--	--	--	(86,487)	
Net change in cumulative foreign currency translation adjustment.....	--	--	--	--	(3,023)	--	
Issuance of distributor stock options (Note 9).....	--	--	--	33,039	--	--	\$ (17,910)
Issuance of employee stock awards (Note 9).....	--	--	--	4,799	--	--	(4,649)
Net income.....	--	--	--	--	--	81,697	--
Balance at December 31, 1996.....	--	12	72	137,876	(5,963)	11,493	(22,559)
Net change in cumulative foreign currency translation adjustment (unaudited).....	--	--	--	--	(3,060)	--	--
Amortization of deferred compensation (unaudited)...	--	--	--	--	--	--	4,778
Net income (unaudited).....	--	--	--	--	--	20,488	--
Balance at March 31, 1997 (unaudited).....	\$ --	\$ 12	\$ 72	\$ 137,876	\$ (9,023)	\$ 31,981	\$ (17,781)

	NOTE RECEIVABLE FROM NSI	TOTAL STOCKHOLDERS' EQUITY
Balance at October 1, 1993...		\$ 6,926
Net change in cumulative foreign currency translation adjustment.....		329
Net income.....		17,679
Balance at September 30, 1994.....		24,934
Net change in cumulative foreign currency translation adjustment.....		10
Net income.....		8,917
Balance at December 31, 1994.....		33,861
Contributed capital.....		3,250
Dividends.....		(12,170)

Net change in cumulative foreign currency translation adjustment.....		(3,381)	
Net income.....		40,211	

Balance at December 31, 1995.....		61,771	
Reorganization and termination of S corporation status (Note 1).....		--	
Net proceeds from the Initial Underwritten Offerings and conversion of shares by stockholders (Note 1).....		98,833	
Dividends.....		(47,139)	
Issuance of notes payable to stockholders (Note 3).....		(86,487)	
Net change in cumulative foreign currency translation adjustment.....		(3,023)	
Issuance of distributor stock options (Note 9).....	\$ (13,139)	1,990	
Issuance of employee stock awards (Note 9).....	--	150	
Net income.....	--	81,697	

Balance at December 31, 1996.....	(13,139)	107,792	
Net change in cumulative foreign currency translation adjustment (unaudited).....	--	(3,060)	
Amortization of deferred compensation (unaudited)...	--	4,778	
Net income (unaudited).....	--	20,488	

Balance at March 31, 1997 (unaudited).....	\$ (13,139)	\$ 129,998	

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

NU SKIN ASIA PACIFIC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED	THREE MONTHS	YEAR ENDED DECEMBER		THREE MONTHS ENDED	
	SEPTEMBER 30, 1994	ENDED DECEMBER 31, 1994	31, 1995	1996	MARCH 31, 1996	1997
					(UNAUDITED)	
Cash flows from operating activities:						
Net income.....	\$ 17,679	\$ 8,917	\$ 40,211	\$ 81,697	\$ 14,750	\$ 20,488
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization.....	1,401	358	2,012	3,274	334	1,099
Loss on disposal of property and equipment.....	90	1,093	12	381	--	--
Amortization of deferred compensation....	--	--	--	2,140	--	4,778
Changes in operating assets and liabilities:						
Accounts receivable.....	(1,006)	165	(2,174)	(5,695)	(1,027)	(2,663)
Related parties receivable.....	(25,288)	11,108	16,077	(6,181)	1,331	305
Inventories, net.....	158	(939)	(17,106)	(12,198)	(2,163)	(9,889)
Prepaid expenses and other.....	(890)	(836)	51	(7,871)	958	(7,919)
Other assets.....	277	(20)	(2,994)	(10,361)	101	(1,040)
Accounts payable.....	884	279	765	2,197	(1,769)	619
Accrued expenses.....	13,106	(4,384)	9,936	56,205	8,579	(26,171)
Related parties payable.....	3,475	(16,442)	18,193	17,577	(6,057)	23,709
Net cash provided by (used in) operating activities.....	9,886	(701)	64,983	121,165	15,037	3,316
Cash flows from investing activities:						
Purchase of property and equipment.....	(1,766)	(417)	(5,422)	(5,672)	(1,038)	(1,122)
Proceeds from disposal of property and equipment.....	25	14	48	41	--	--
Payment to NSI for distribution rights.....	--	--	--	(5,000)	--	(10,000)
Payments for lease deposits.....	(614)	(677)	(701)	(562)	--	(58)
Receipt of refundable lease deposits.....	153	--	22	98	--	122
Net cash used in investing activities....	(2,202)	(1,080)	(6,053)	(11,095)	(1,038)	(11,058)
Cash flows from financing activities:						
Payments on related party loans.....	(4,350)	--	--	--	--	--
Proceeds from capital contributions.....	--	--	3,250	--	--	--
Net proceeds from the Initial Underwritten Offerings (Note 1).....	--	--	--	98,833	--	--
Dividends paid.....	--	--	(12,170)	(47,139)	(9,500)	--
Payment to stockholders for S distribution notes (Note 3).....	--	--	--	(15,000)	--	--
Net cash provided by (used in) financing activities.....	(4,350)	--	(8,920)	36,694	(9,500)	--
Effect of exchange rate changes on cash....	152	(8)	(3,085)	(2,871)	144	(2,566)
Net increase (decrease) in cash and cash equivalents.....	3,486	(1,789)	46,925	143,893	4,643	(10,308)
Cash and cash equivalents, beginning of period.....	14,591	18,077	16,288	63,213	63,213	207,106
Cash and cash equivalents, end of period...	\$ 18,077	\$ 16,288	\$ 63,213	\$ 207,106	\$ 67,856	\$ 196,798
Supplemental cash flow information:						
Interest paid.....	\$ 81	\$ 6	\$ 119	\$ 84	\$ 23	\$ --

Supplemental schedule of non-cash investing and financing activities in 1996:

\$20.0 million note payable to NSI issued as partial consideration for the \$25.0 million purchase of distribution rights from NSI.

\$86.5 million of interest bearing S distribution notes issued in 1996, of which \$71.5 million remains unpaid at December 31, 1996 (Note 3).

\$1.2 million of additional paid-in capital contributed by the existing stockholders of their interest in the Subsidiaries in exchange for all shares of the Class B common stock in connection with the Company's termination of its S corporation status (Note 1).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Nu Skin Asia Pacific, Inc. (the "Company") is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations (collectively referred to as the "Subsidiaries"), and in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where operations have not yet commenced. Additionally, the Company sells products to NSI affiliates in Australia and New Zealand. NSI was founded in 1984 and is one of the largest network marketing companies in the world. NSI owns the Nu Skin trademark and provides the products and marketing materials to each of its affiliates. Nu Skin International Management Group, Inc. ("NSIMG"), an NSI affiliate, has provided, and will continue to provide, a high level of support services to the Company, including product development, marketing, legal, accounting and other managerial services.

The Company was incorporated on September 4, 1996. It was formed as a holding company and acquired the Subsidiaries through a reorganization which occurred on November 20, 1996. Prior to the reorganization, each of the Subsidiaries elected to be treated as an S corporation. In connection with the reorganization, the Subsidiaries' S corporation status was terminated on November 19, 1996, and the Company declared a distribution to the stockholders that included all of the Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling \$86.5 million.

Prior to the reorganization, the Company, NSI, NSIMG and other NSI affiliates operated under the control of a group of common stockholders. Inasmuch as the Subsidiaries that were acquired were under common control, the Company's consolidated financial statements include the Subsidiaries' historical balance sheets and related statements of income, of stockholders' equity and of cash flows for all periods presented.

On November 27, 1996 the Company completed its initial public offerings of 4,750,000 shares of Class A common stock and received net proceeds of \$98.8 million (the "Initial Underwritten Offerings").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

CHANGE IN FISCAL YEAR

In October 1994, the Company's Board of Directors approved a change in the Company's fiscal year end from September 30 to December 31. The change became effective as of October 1, 1994.

USE OF ESTIMATES

The preparation of these financial statements in conformity with generally accepted accounting principles required 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 revenues and expenses during the reporting period. Significant estimates include reserves for product returns, obsolete inventory and taxes. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid instruments with original maturities of 90 days or less.

INVENTORIES

Inventories consist of merchandise purchased for resale and are stated at the lower of cost using the first-in, first-out method or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5 - 7 years
Computers and equipment	3 - 5 years
Leasehold improvements	Shorter of estimated useful life or lease term
Vehicles	3 - 5 years

Expenditures for maintenance and repairs are charged to expense as incurred.

OTHER ASSETS

Other assets consist primarily of deposits for noncancelable operating leases and distribution rights purchased from NSI. Distribution rights are amortized on the straight-line basis over the estimated useful life of the asset. The Company assesses the recoverability of long-lived assets by determining whether the unamortized balance can be recovered through undiscounted future operating cash flows attributable to the assets.

PRO FORMA EQUITY AMOUNTS

The pro forma equity amounts on the consolidated balance sheet at March 31, 1997 reflect the conversion of 7.0 million shares of Class B common stock to Class A common stock prior to the planned public offering of these shares by certain stockholders.

REVENUE RECOGNITION

Revenue is recognized when products are shipped and title passes to independent distributors who are the Company's customers. A reserve for product returns is accrued based on historical experience. The Company generally requires cash payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue.

INCOME TAXES

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), ACCOUNTING FOR INCOME TAXES. Under SFAS 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the Company's reorganization described in Note 1, the Subsidiaries elected to be taxed as S corporations whereby, for U.S. federal tax purposes, the income tax effects of the Subsidiaries' activities accrued directly to their stockholders. Therefore, adoption of SFAS 109 required no establishment of deferred income taxes since no material differences existed between financial reporting and tax bases of assets and liabilities for foreign tax purposes. Concurrent with the Company's reorganization, the Company terminated the S corporation elections of its Subsidiaries. As a result, U.S. deferred income taxes under the provisions of SFAS 109 were established.

PRO FORMA NET INCOME PER SHARE

Pro forma net income per share is computed based on the weighted average number of common shares and common share equivalents outstanding during the periods presented assuming that the Company's reorganization and the resultant issuance of 80.3 million shares of Class B common stock occurred as of January 1, 1995.

FOREIGN CURRENCY TRANSLATION

All business operations of the Company occur outside of the United States. Each entity's local currency is considered its functional currency. Since a substantial portion of the Company's inventories are purchased with U.S. dollars from the United States and since the Company is incorporated in the United States, all assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted average exchange rates, and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders' equity in the consolidated balance sheets, and transaction gains and losses are included in other income in the consolidated financial statements.

INDUSTRY SEGMENT AND GEOGRAPHIC AREA

The Company operates in a single industry, which is the direct selling of skin care, hair care and nutritional products, and in a single geographic area, which is the Asia Pacific Region.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments including cash and cash equivalents, accounts receivable, related parties receivable, accounts payable, accrued expenses, related parties payable and notes payable approximate book values.

STOCK-BASED COMPENSATION

The Company has adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), ACCOUNTING FOR STOCK-BASED COMPENSATION. The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and will, when material, provide pro forma disclosures of net income and net income per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
NEW ACCOUNTING STANDARDS

The Company is required to adopt Statement of Financial Accounting Standards No. 128 ("SFAS 128"), EARNINGS PER SHARE, during the fourth quarter of 1997. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share. The Company does not believe that the adoption of SFAS 128 will have a material effect on the Company's method of calculation or display of earnings per share amounts.

INTERIM RESULTS (UNAUDITED)

The accompanying consolidated balance sheet at March 31, 1997, the related consolidated statements of income and of cash flows for the three months ended March 31, 1996 and 1997, and the related statement of stockholders' equity for the three months ended March 31, 1997 are unaudited. In the opinion of management, these statements have been prepared on the same basis as the audited financial statements and include all normal recurring adjustments necessary for the fair statement of the results of interim periods. The data disclosed in these notes to the consolidated financial statements at such date or for such periods are also unaudited.

3. RELATED PARTY TRANSACTIONS

SCOPE OF RELATED PARTY ACTIVITY

The Company has extensive and pervasive transactions with affiliated entities that are under common control. These transactions are as follows: (1) Through its Hong Kong entity, the Company purchases a substantial portion of its inventories from affiliated entities (primarily NSI). (2) In addition to selling products to consumers in its geographic territories, the Company, through its Hong Kong entity, sells products and marketing materials to affiliated entities in geographic areas outside those held by the Company (primarily Australia and New Zealand). (3) The Company pays trademark royalty fees to NSI on products bearing NSI trademarks and marketed in the Company's geographic areas that are not purchased from NSI. (4) NSI enters into a distribution agreement with each independent distributor. The Company pays license fees to NSI for the right to use the lists of distributors within its geographical regions, and for the right to use the NSI distribution system and other related intangibles. (5) The Company participates in a global compensation plan established by the NSI distribution agreement whereby distributors' commissions are determined by aggregate worldwide purchases made by down-line distributors. Thus, commissions on purchases from the Company earned by distributors located in geographic areas outside those held by the Company are remitted to NSI, which then forwards these commissions to the distributors. (6) The Company pays fees for management and support services provided by NSIMG.

The purchase prices paid by Nu Skin Hong Kong for the purchase of product and marketing materials from NSI are determined pursuant to the Regional Distribution Agreement. The selling prices to the Subsidiaries of products and marketing materials are determined pursuant to the Wholesale Distribution Agreements between Nu Skin Hong Kong and the other Subsidiaries. Trademark royalty fees and license fees are payable pursuant to the Trademark/Tradename License Agreement between the Subsidiaries and NSI and the Licensing and Sales Agreement between the Subsidiaries and NSI, respectively. The independent distributor commission program is managed by NSI. Charges to the Company are based on a worldwide commission fee of 42% which covers commissions paid to distributors on a worldwide basis and the direct costs of administering the global compensation plan. Management and support services fees are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS (CONTINUED)

billed to the Company by NSIMG pursuant to the Management Services Agreement between the Company, the Subsidiaries and NSIMG and consist of all direct expenses incurred by NSIMG on behalf of the Company and indirect expenses of NSIMG allocated to the Company based on its net sales.

Total commission fees (including those paid directly to distributors within the Company's geographic territories) are recorded as distributor incentives in the consolidated statements of income. Trademark royalty fees, license fees and management fees are included in selling, general and administrative expenses in the consolidated statements of income.

In November 1996, the Company purchased from NSI the distribution rights to seven new markets in the region. These markets include Thailand, where operations commenced in March 1997, and in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where operations have not yet commenced. These rights were purchased for \$25.0 million of which \$5.0 million was paid from proceeds from the Initial Underwritten Offerings. At December 31, 1996, the Company had a \$10.0 million short term obligation, due January 15, 1997, and a \$10.0 million long term obligation, due January 15, 1998, related to the purchase of these rights. At March 31, 1997, the Company had a \$10.0 million (unaudited) short term obligation related to the purchase of these rights. Interest accrues at a rate of 6.0% per annum on amounts due under this obligation.

NOTES PAYABLE TO STOCKHOLDERS

In connection with the reorganization described in Note 1, the aggregate undistributed taxable S corporation earnings of the Subsidiaries were \$86.5 million. These earnings were distributed in the form of promissory notes which are expected to be paid during 1997 and which bear interest at 6.0% per annum. From proceeds of the Initial Underwritten Offerings, \$15.0 million was used to pay a portion of the notes, leaving an unpaid notes payable to stockholders balance of \$71.5 million at December 31, 1996 and March 31, 1997 (unaudited). Interest expense of \$536,000 and \$1,064,000 (unaudited) was recorded for the year ended December 31, 1996 and for the three months ended March 31, 1997, respectively, and is included in accrued expenses. See Note 13.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS (CONTINUED)
RELATED PARTY TRANSACTIONS

The following summarizes the Company's transactions with related parties (in thousands):

PRODUCT PURCHASES	YEAR ENDED	THREE MONTHS	YEAR ENDED DECEMBER 31,		THREE MONTHS
	SEPTEMBER 30, 1994	ENDED DECEMBER 31, 1994	1995	1996		ENDED MARCH 31, 1997
					(UNAUDITED)
Beginning inventories.....	\$ 14,775	\$ 14,617	\$ 15,556	\$ 32,662	\$ 44,860
Inventory purchases from affiliates.....	61,409	11,608	69,821	157,413	57,890
Other inventory purchases and value added locally.....	25,305	8,938	43,900	47,943	12,740
Total products available for sale.....	101,489	35,163	129,277	238,018	115,490
Less: Cost of sales.....	(86,872)	(19,607)	(96,615)	(193,158)	(60,741)
Ending inventories.....	\$ 14,617	\$ 15,556	\$ 32,662	\$ 44,860	\$ 54,749

RELATED PARTIES PAYABLE TRANSACTIONS	YEAR ENDED	THREE MONTHS	YEAR ENDED DECEMBER 31,		THREE MONTHS
	SEPTEMBER 30, 1994	ENDED DECEMBER 31, 1994	1995	1996		ENDED MARCH 31, 1997
					(UNAUDITED)
Beginning related parties payable.....	\$ 27,873	\$ 26,998	\$ 10,556	\$ 28,749	\$ 46,326
Inventory purchases from affiliates.....	61,409	11,608	69,821	157,413	57,890
Distributor incentives.....	95,737	27,950	135,722	249,613	80,543
Less: Distributor incentives paid to distributors within the Company's markets.....	(68,880)	(19,837)	(105,642)	(197,614)	(65,240)
License fees.....	9,252	2,750	13,158	25,221	8,038
Trademark royalty fees.....	--	19	2,694	2,882	800
Management fees.....	1,449	499	2,066	4,189	1,800
Proceeds from (payments for) related party loans.....	(4,350)	--	--	--	--
Less: Payments to related parties.....	(95,492)	(39,431)	(99,626)	(224,127)	(60,122)
Ending related parties payable.....	\$ 26,998	\$ 10,556	\$ 28,749	\$ 46,326	\$ 70,035

RELATED PARTIES RECEIVABLE AND PAYABLE BALANCES

The Company has receivable and payable balances with related parties in Australia and New Zealand, and with NSI and NSIMG. Related parties balances outstanding greater than 60 days bear interest at the prime rate plus 2%. Since no significant balances have been outstanding greater than 60 days, no related parties interest income or interest expense has been recorded in the consolidated financial statements. Sales to related parties were \$2,288,000 for the year ended September 30, 1994, \$855,000 for the three months ended December 31, 1994, \$4,608,000 and \$4,614,000 for the years ended December 31, 1995 and 1996, respectively, and \$1,100,000 (unaudited) for the three months ended March 31, 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS (CONTINUED)

CERTAIN RELATIONSHIPS WITH STOCKHOLDER DISTRIBUTORS

Two major stockholders of the Company have been NSI distributors since 1984. These stockholders are partners in an entity which receives substantial commissions from NSI, including commissions relating to sales within the countries in which the Company operates. By agreement, NSI pays commissions to this partnership at the highest level of distributor compensation to allow the stockholders to use their expertise and reputations in network marketing to further develop NSI's distributor force, rather than focusing solely on their own distributor organizations. The commissions paid to this partnership relating to sales within the countries in which the Company operates were \$1,100,000 for the year ended September 30, 1994, \$270,000 for the three months ended December 31, 1994, \$1,100,000 and \$1,200,000 for the years ended December 31, 1995 and 1996, respectively, and \$290,000 (unaudited) for the three months ended March 31, 1997.

4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following (in thousands):

	DECEMBER 31,		MARCH 31, 1997
	1995	1996	
			(UNAUDITED)
Furniture and fixtures.....	\$ 3,593	\$ 3,175	\$ 5,226
Computers and equipment.....	5,060	7,480	7,484
Leasehold improvements.....	2,221	4,737	3,165
Vehicles.....	152	200	204
	11,026	15,592	16,079
Less: accumulated depreciation.....	(4,122)	(6,708)	(7,354)
	\$ 6,904	\$ 8,884	\$ 8,725

Depreciation of property and equipment totaled \$1,401,000 for the year ended September 30, 1994, \$358,000 for the three months ended December 31, 1994, \$2,012,000 and \$3,118,000 for the years ended December 31, 1995 and 1996, respectively, and \$787,000 (unaudited) for the three months ended March 31, 1997.

5. OTHER ASSETS

Other assets consist of the following (in thousands):

	DECEMBER 31,		MARCH 31, 1997
	1995	1996	
			(UNAUDITED)
Deposits for noncancelable operating leases.....	\$ 5,738	\$ 9,962	\$ 10,774
Distribution rights, net of accumulated amortization.....	--	24,844	24,532
Other.....	1,266	7,867	8,031
	\$ 7,004	\$ 42,673	\$ 43,337

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER ASSETS (CONTINUED)

The \$25.0 million distribution rights asset is being amortized on a straight-line basis over its estimated useful life of twenty years. Amortization expense totaled \$156,000 for the year ended December 31, 1996 and \$312,000 (unaudited) for the three months ended March 31, 1997.

6. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	DECEMBER 31,		MARCH 31, 1997 (UNAUDITED)
	1995	1996	
Income taxes payable.....	\$ 17,463	\$ 54,233	\$ 30,079
Other taxes payable.....	798	9,194	8,113
Other accruals.....	5,052	16,091	15,155
	\$ 23,313	\$ 79,518	\$ 53,347

7. LINE OF CREDIT

During 1995, the Company entered into an \$8,000,000 revolving credit agreement (bearing interest at an annual rate of 12%) with a financial institution in South Korea. Advances were available under the agreement through July 1, 1996. There were no outstanding balances under the credit facility at December 31, 1995.

8. LEASE OBLIGATIONS

The Company leases office space and computer hardware under noncancelable long-term operating leases. Most leases include renewal options of up to three years. Minimum future operating lease obligations at December 31, 1996 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
1997.....	\$ 4,131
1998.....	2,745
1999.....	1,965
2000.....	1,321
2001.....	--
Total minimum lease payments.....	\$ 10,162

Rental expense for operating leases totaled \$5,848,000 for the year ended September 30, 1994, \$1,639,000 for the three months ended December 31, 1994, \$9,470,000 and \$8,260,000 for the years ended December 31, 1995 and 1996, respectively, and \$2,150,000 (unaudited) for the three months ended March 31, 1997.

9. STOCKHOLDERS' EQUITY

The Company's capital stock consists of preferred stock, Class A common stock, and Class B common stock. The shares of Class A common stock and Class B common stock are identical in all respects, except

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. STOCKHOLDERS' EQUITY (CONTINUED)

for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder.

STOCKHOLDER CONTROL

As of December 31, 1996, a group of common stockholders owned all of the outstanding shares of Class B common stock, which represented 98.4% of the combined voting rights of all outstanding common stock. Accordingly, these stockholders, acting as a group, control the election of the entire Board of Directors and decisions with respect to the Company's dividend policy, the Company's access to capital, mergers or other business combinations involving the Company, the acquisition or disposition of assets by the Company and any change in control of the Company.

EQUITY INCENTIVE PLANS

Effective November 21, 1996, NSI and the Company implemented a one-time distributor equity incentive program. This program provided for grants of options to selected distributors for the purchase of 1,605,000 shares of the Company's previously issued Class A common stock. The number of options each distributor will ultimately receive will be based on their performance and productivity through August 31, 1997. The options are exercisable at a price of \$5.75 per share and will vest on December 31, 1997. The related compensation expense has been deferred in the Company's financial statements and is being expensed to the statement of income as distributor stock expense ratably through December 31, 1997.

The Company has recorded compensation expense based upon the best available estimate of the number of shares that are expected to be issued to each distributor at the measurement date, and will revise such expense, as necessary, if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. The compensation expense will be adjusted quarterly over the vesting period for subsequent changes in the expected or actual outcome. Any options forfeited may be reallocated and result in an additional compensation charge.

As a part of this program, the Company sold an option to NSI to purchase shares underlying distributor options for consideration of a 10-year note, bearing interest at 6.0% per annum, with an estimated principal balance of \$13.1 million. It is anticipated that NSI will repay this note as distributors begin to exercise their options in 1998.

Prior to the Initial Underwritten Offerings, the Company's stockholders contributed to NSI and other Nu Skin entities (excluding the Company) 1,250,000 shares of the Company's Class A common stock held by them for issuance to employees of NSI and other Nu Skin entities as a part of an employee equity incentive plan. Equity incentives granted or awarded under this plan will vest over four years. Compensation expense related to equity incentives granted to employees of NSI and other Nu Skin entities who

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. STOCKHOLDERS' EQUITY (CONTINUED)

perform services on behalf of the Company will be recognized by the Company ratably over the vesting period.

In November and December 1996, the Company made stock bonus awards to certain of its employees for an aggregate of 109,000 shares of Class A common stock and in January 1997 the Company made additional stock bonus awards to certain of its employees for an aggregate of 41,959 shares (unaudited) of Class A common stock. The Company has recorded deferred compensation expense related to these stock awards and is recognizing such expense ratably over the vesting period.

Prior to the reorganization, NSI agreed to grant one of the Company's executives an option to purchase 267,500 shares of the Company's Class A common stock which became exercisable at the date of the reorganization. The exercise price of this option was set at the estimated fair market value of this equity interest on the date the option was granted. This executive exercised the portion of this option underlying 16,675 shares during November 1996.

10. INCOME TAXES

Consolidated income before provision for income taxes consists of income earned solely from international operations. The provision for current and deferred taxes for the year ended December 31, 1996 consists of the following (in thousands):

Current		
Federal.....	\$	331
State.....		--
Foreign.....		56,929
Deferred		
Federal.....		(1,929)
State.....		--
Foreign.....		(2,398)
Change in U.S. tax status.....		(3,439)

Provision for income taxes.....	\$	49,494

As a result of the Company's reorganization described in Note 1, the Company will no longer be treated as an S corporation for U.S. Federal income tax purposes. Accordingly, the provision for income taxes recorded in the statement of income for the year ended December 31, 1996 consists of the following: (1) the cumulative income tax effect from recognition of the deferred tax assets at the date of S corporation termination; (2) the provision for income taxes for the period November 20, 1996 through December 31, 1996 as a U.S. C corporation; and (3) income taxes in foreign countries for the Subsidiaries during the year.

The provision for income taxes for the year ended September 30, 1994, for the three months ended December 31, 1994 and for the year ended December 31, 1995 primarily represent income taxes in foreign countries as U.S. Federal income taxes were levied at the stockholder level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. INCOME TAXES (CONTINUED)

The principal components of deferred tax assets were as follows (in thousands):

	DECEMBER 31, 1995	NOVEMBER 20, 1996	DECEMBER 31, 1996
	----- (PRO FORMA)	-----	-----
Deferred tax assets:			
Inventory reserve.....	\$ 414	\$ 1,455	\$ 1,971
Product return reserve.....	115	1,183	1,562
Depreciation.....	866	1,535	1,592
Foreign tax credit.....	--	--	1,234
Exchange gains and losses.....	389	--	--
Uniform capitalization.....	1,696	713	763
Distributor stock options and employee stock awards.....	--	--	749
Accrued expenses not deductible until paid.....	123	5,037	6,739
Minimum tax credit.....	--	--	330
Other.....	61	--	--
	-----	-----	-----
Total deferred tax assets.....	\$ 3,664	\$ 9,923	\$ 14,940
	-----	-----	-----
Deferred tax liabilities:			
Withholding tax.....	\$ --	\$ 3,944	\$ 4,148
Net foreign deferred tax asset.....	--	1,021	2,572
Exchange gains and losses.....	--	443	399
Other.....	--	55	55
	-----	-----	-----
Total deferred tax liabilities.....	--	5,463	7,174
	-----	-----	-----
Net deferred tax assets.....	\$ 3,664	\$ 4,460	\$ 7,766
	-----	-----	-----

PRO FORMA PROVISION FOR INCOME TAXES

The consolidated statements of income include a pro forma presentation for income taxes which would have been recorded if the Company had been taxed as a C corporation for all periods presented.

A reconciliation of the Company's pro forma effective tax rate compared to the statutory U.S. Federal tax rate is as follows:

	YEAR ENDED SEPTEMBER 30, 1994	THREE MONTHS ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31,	
	-----	-----	1995	1996
	-----	-----	-----	-----
Income taxes at statutory rate.....	35.00%	35.00%	35.00%	35.00%
Foreign tax credit limitation (benefit).....	1.97	(0.42)	2.69	--
Non-deductible expenses.....	.27	.11	.67	.06
Other.....	--	--	--	(.04)
	-----	-----	-----	-----
	37.24%	34.69%	38.36%	35.02%
	-----	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. FINANCIAL INSTRUMENTS

The Company's Subsidiaries enter into significant transactions with each other, NSI and third parties which may not be denominated in the respective Subsidiaries' functional currencies. The Company reduces its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts. The Company currently does not use such financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency exposures to minimize the impact of foreign exchange fluctuations on the Company's operating results.

At December 31, 1995, the Company held foreign currency forward contracts with notional amounts totaling \$1,000,000 to hedge foreign currency items. There were no significant estimated unrealized gains or losses on these contracts. These contracts all had maturities prior to December 31, 1996. The Company did not hold any foreign currency forward contracts at December 31, 1996. At March 31, 1997, the Company held foreign currency forward contracts with notional amounts totaling \$14,500,000 (unaudited). There were no significant estimated unrealized gains or losses on these contracts. These contracts all have maturities prior to December 31, 1997.

12. COMMITMENTS AND CONTINGENCIES

The Company is subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising and to the Company's direct selling system. The Company is also subject to the jurisdiction of numerous foreign tax authorities. These tax authorities regulate and restrict various corporate transactions, including intercompany transfers. The Company believes that the tax authorities in Japan and South Korea are particularly active in challenging the tax structures and intercompany transfers of foreign corporations. Any assertions or determination that either the Company, NSI or any of NSI's distributors is not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on the Company's operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. Although management believes that the Company is in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows.

13. SUBSEQUENT EVENTS

On April 4, 1997, the Company paid the entire balance on the notes payable to stockholders of \$71.5 million together with the related accrued interest of \$1.6 million (unaudited). As described in Note 1, these notes originated in connection with the reorganization in which the Subsidiaries' S corporation status was terminated and the Company declared a distribution to the stockholders that included all of the Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling \$86.5 million.

NU SKIN ASIA PACIFIC, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1995
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA FOR THE REORGANIZATION AND THE INITIAL UNDERWRITTEN OFFERINGS
Revenue.....	\$ 358,609	\$ --	\$ 358,609
Cost of sales.....	96,615	--	96,615
Gross profit.....	261,994		261,994
Operating expenses(d)			
Distributor incentives.....	135,722	--	135,722
Selling, general and administrative.....	67,475	6,958(a)	74,433
Total operating expenses.....	203,197	6,958	210,155
Operating income.....	58,797	(6,958)	51,839
Other income (expense), net.....	511	(2,809) (b)	(2,298)
Income before provision for income taxes.....	59,308	(9,767)	49,541
Provision for income taxes.....	19,097	(92) (c)	19,005
Net income.....	\$ 40,211	\$ (9,675)	\$ 30,536
Net income per share.....	\$.50		\$.36
Weighted average common shares outstanding.....	80,518		85,377

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

NU SKIN ASIA PACIFIC, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA FOR THE REORGANIZATION AND THE INITIAL UNDERWRITTEN OFFERINGS
Revenue.....	\$ 678,596	\$ --	\$ 678,596
Cost of sales.....	193,158	--	193,158
Gross profit.....	485,438	--	485,438
Operating expenses			
Distributor incentives.....	249,613	--	249,613
Selling, general and administrative.....	105,477	6,325(a)	111,802
Distributor stock expense.....	1,990	(1,990)(d)	--
Total operating expense.....	357,080	4,335	361,415
Operating income.....	128,358	(4,335)	124,023
Other income (expense), net.....	2,833	769(b)	3,602
Income before provision for income taxes.....	131,191	(3,566)	127,625
Provision for income taxes.....	49,494	(4,794)(c)	44,700
Net income.....	\$ 81,697	\$ 1,228	\$ 82,925
Net income per share.....	\$ 1.01		\$.97
Weighted average common shares outstanding.....	81,060		85,377

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

NU SKIN ASIA PACIFIC, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA FOR THE REORGANIZATION AND THE INITIAL UNDERWRITTEN OFFERINGS
Revenue.....	\$ 124,185	\$ --	\$ 124,185
Cost of sales.....	34,815	--	34,815
Gross profit.....	89,370	--	89,370
Operating expenses(d)			
Distributor incentives.....	46,181	--	46,181
Selling, general and administrative.....	20,027	1,713(a)	21,740
Total operating expenses.....	66,208	1,713	67,921
Operating income.....	23,162	(1,713)	21,449
Other income (expense), net.....	274	67(b)	341
Income before provision for income taxes.....	23,436	(1,646)	21,790
Provision for income taxes.....	8,686	(1,055)(c)	7,631
Net income.....	\$ 14,750	\$ (591)	\$ 14,159
Net income per share.....	\$.18		\$.17
Weighted average common shares outstanding.....	80,518		85,377

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

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

NOTE 1--BASIS OF PRESENTATION

As part of the reorganization and the Initial Underwritten Offerings discussed in Note 1 to the Consolidated Financial Statements, several actions occurred which impacted the comparability of the historical financial results of the Company with the future results of the Company. Therefore, a pro forma presentation has been prepared to provide comparative data. The unaudited pro forma consolidated statements of income data reflect the reorganization and the Initial Underwritten Offerings as if all conditions to these transactions had occurred as of January 1, 1995. These data do not necessarily reflect the results of operations of the Company that would have resulted had such transactions actually been consummated as of such date. Also, these data are not necessarily indicative of the future results of operations of the Company.

NOTE 2--PRO FORMA ADJUSTMENTS

The pro forma adjustments reflect the following:

(a) Reflects the amortization of the distribution rights acquired from NSI. Amortization will be recorded on a straight-line basis over the estimated useful life of twenty years. Also reflects estimated annual compensation expense of \$1.2 million related to the employee stock bonus awards granted to employees of the Company, NSI and its affiliates. Also reflects additional costs of \$4.4 million for the year ended December 31, 1995, \$4.0 million for the year ended December 31, 1996 and \$1.1 million for the three months ended March 31, 1996, relating to certain support services provided to the Company by NSI and NSIMG and certain other charges related to operating as a public company. These costs include additional infrastructure, operating and accounting systems, and business processes as well as the additional outside services inherent in supporting a public entity.

(b) Reflects interest expense for the \$20.0 million note payable to NSI issued in connection with the purchase of distribution rights. The note bears interest at 6.0% per annum and is due and payable within 14 months from the date of issuance. Also reflects interest expense of \$2.7 million for the year ended December 31, 1995 relating to the \$86.5 million notes payable to stockholders. The notes bear interest at 6.0% per annum. Also reflects interest income for the note receivable from NSI with an estimated principal balance of \$13.1 million issued in connection with the sale of an option to NSI to purchase shares underlying distributor options. The note bears interest at 6.0% per annum and is due and payable ten years from the date of issuance.

(c) Reflects adjustments for U.S. Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception. Also reflects the tax effect of pro forma adjustments on earnings.

(d) The unaudited pro forma consolidated statements of income data does not reflect the estimated non-cash compensation expense of \$19.9 million in connection with the one-time grant of distributor options at an exercise price of \$5.75 per share. \$1,990,000 of such expense was recorded as actual distributor stock expense for the year ended December 31, 1996.

NOTE 3--PRO FORMA NET INCOME PER SHARE

Pro forma net income per share data reflects 80,250,000 shares of common stock outstanding and common stock equivalents after giving effect to the reorganization and an option granted to an executive officer of the Company to purchase 267,500 shares of Class A Common Stock. Also reflects the sale of 4,750,000 shares of Class A common stock by the Company and the grant of awards for 109,000 shares of Class A common stock to employees of the Company. Supplemental income per share, calculated as if \$25.0 million of the proceeds from the Initial Underwritten Offerings were used to pay down notes payable, had a dilutive effect of less than 2% and, therefore, is not presented.

[COMPANY LOGO WITH THE WORDS "BEAUTY, HEALTH & OPPORTUNITY"
AND "BEAUTY," "HEALTH" AND "OPPORTUNITY."]

 NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THE PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE CLASS A COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

 TABLE OF CONTENTS

	PAGE

Prospectus Summary.....	3
Risk Factors.....	11
Use of Proceeds.....	27
Dividend Policy.....	27
Price Range of Class A Common Stock.....	27
Capitalization.....	28
Selected Consolidated Financial and Other Information.....	29
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	32
Business.....	42
Management.....	72
Principal and Selling Stockholders.....	83
Shares Eligible for Future Sale.....	95
Description of Capital Stock.....	96
Certain United States Tax Consequences to Non-United States Holders.....	100
Underwriting.....	103
Legal Matters.....	106
Experts.....	106
Additional Information.....	106
Index to Consolidated Financial Statements.....	F-1

7,000,000 SHARES

[NU SKIN LOGO]

CLASS A COMMON STOCK

 PROSPECTUS

MERRILL LYNCH & CO.
 MORGAN STANLEY DEAN WITTER

NOMURA SECURITIES
 INTERNATIONAL, INC.
 PAINWEBBER INCORPORATED

JUNE , 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses of the issuance and distribution, all of which are payable by the Selling Stockholders, are as follows.

SEC Registration Fee.....	\$ 65,407
NASD Fee.....	22,085
Stock Exchange Listing.....	50,000*
Printing and Engraving.....	150,000*
Accounting Fees and Expenses.....	50,000*
Legal Fees and Expenses.....	200,000*
Blue Sky Fees and Expenses.....	10,000*
Transfer Agent's Fees and Expenses.....	5,000*
Miscellaneous Expenses.....	47,508*

Total.....	\$ 600,000

- - - - -

* estimate

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article 10 of the Company's Certificate of Incorporation and Article 5 of the Company's Bylaws require indemnification to the fullest extent permitted by Section 145 of DGCL. Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with specified actions, suits or proceedings, whether civil, criminal, administrative, or investigative (other than action by or in the right of the corporation a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Indemnification provided by or granted pursuant to Section 145 of the DGCL is not exclusive of other indemnification that may be granted by a corporation's bylaws, any agreement, any vote of stockholders or disinterested directors or otherwise. Article 5 of the Company's Bylaws provides for indemnification consistent with the requirements of Section 145 of the DGCL. Reference is made to Exhibits 3.1 and 3.2 to this Registration Statement for the complete text of, respectively, Article 10 of the Company's Certificate of Incorporation and Article 5 of the Company's Bylaws.

Section 145 of the DGCL also permits a corporation to purchase and maintain insurance on behalf of directors and officers. Article 5 of the Company's Bylaws permits it to purchase such insurance on behalf of its directors and officers.

Article 7 of the Company's Certificate of Incorporation provides for, to the fullest extent permitted by the DGCL, elimination or limitation of liability of directors to the Company or its stockholders for breach of fiduciary duty as a director. Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except

for liability (i) for any breach of a director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve international misconduct or a knowing violation of law; (iii) for improper payment of dividends or redemptions of shares; or (iv) for any transaction from which the director derives an improper personal benefit. Reference is made to Exhibit 3.1 to this Registration Statement for the complete text of Article 7 of the Company's Certificate of Incorporation.

Reference is made to the form of U.S. Purchase Agreement filed as Exhibit 1.1 to this Registration Statement which provides for the indemnification of the directors and officers of the Company signing this Registration Statement and certain controlling persons of the Company against certain liabilities, including those arising under the 1933 Act, in certain instances by the Underwriters.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Prior to the Initial Underwritten Offerings, the shareholders of Nu Skin Japan, Nu Skin Korea, Nu Skin Taiwan, Nu Skin Hong Kong and Nu Skin Thailand contributed their shares of capital stock to the capital of the Company in a transaction intended to qualify under Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"), in exchange for shares of the Company's Class B Common Stock (the "Reorganization"). Prior to the Reorganization, all of the outstanding shares of capital stock of the Subsidiaries were held by the Selling Stockholders and certain of their affiliates. The Reorganization resulted in each of the Subsidiaries becoming a wholly-owned subsidiary of the Company. In January 1997, the Company issued 8,011 shares to three individuals pursuant to Regulation S.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES.

(a) Exhibits

*1.1 Form of U.S. Purchase Agreement

**2.1 Form of Contribution Agreement

**3.1 Amended and Restated Certificate of Incorporation of the Company

**3.2 Amended and Restated Bylaws of the Company

**4.1 Specimen Form of Stock Certificate for Class A Common Stock

**4.2 Specimen Form of Stock Certificate for Class B Common Stock

*5.1 Opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P. regarding legality of the securities covered by this Registration Statement

**10.1 Form of Indemnification Agreement entered into by and among the Company and certain of its officers and directors

**10.2 Stockholders Agreement, dated as of November 20, 1996, by and among the initial stockholders of the Company

**10.3 Employment Contract, dated December 12, 1991, by and between the Company and John Chou

**10.4 Employment Agreement, dated May 1, 1993, by and between the Company and Takashi Bamba

**10.5 Service Agreement, dated January 1, 1996, by and between the Company and Sung-Tae Han

**10.6 Form of Purchase and Sale Agreement between Nu Skin Hong Kong and NSI

**10.7 Form of Licensing and Sales Agreement between NSI and each Subsidiary (other than Nu Skin Korea)

**10.8 Form of Regional Distribution Agreement between NSI and Nu Skin Hong Kong

**10.9 Form of Wholesale Distribution Agreement between Nu Skin Hong Kong and each Subsidiary (other than Nu Skin Korea)

**10.10 Form of Trademark/Tradenname License Agreement between NSI and each Subsidiary (other than Nu Skin Korea)

**10.11 Form of Management Services Agreement between NSIMG and each Subsidiary

- *10.12 Licensing and Sales Agreement between NSI and Nu Skin Korea
- **10.13 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Hong Kong/Macau
- **10.14 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Japan
- **10.15 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in South Korea
- **10.16 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Taiwan and Thailand
- **10.17 Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan
- **10.18 Form of Bonus Incentive Plan for Subsidiary Presidents
- **10.19 Option Agreement between the Company and M. Truman Hunt
- **10.20 Form of Mutual Indemnification Agreement between the Company and NSI
- **10.21 Manufacturing Sublicense Agreement, dated July 27, 1995, between NSI and Nu Skin Japan
- ***10.22 Licensing and Sales Agreement between NSI and Nu Skin Thailand dated March 12, 1997
- ***10.23 Wholesale Distribution Agreement between Nu Skin Hong Kong and Nu Skin Thailand dated March 12, 1997
- ***10.24 Trademark/Tradenname Licensing Agreement between NSI and Nu Skin Thailand dated March 12, 1997
- ***10.25 Management Services Agreement between NSIMG and Nu Skin Thailand dated March 12, 1997
- *10.26 Wholesale Distribution Agreement between Nu Skin Hong Kong and Nu Skin Korea
- *10.27 Trademark/Tradenname License Agreement between NSI and Nu Skin Korea
- **21.1 Subsidiaries of the Company
- *23.1 Consent of Price Waterhouse LLP, independent accountants
- *23.2 Consent of LeBoeuf, Lamb, Green & MacRae, L.L.P. (included in legal opinion--see Exhibit 5.1)
- *24 Power of Attorney (included with the signatures in Part II of this Registration Statement)

- -----

- * Filed herewith
- ** Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-12073).
- *** Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction on the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as a part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rules 424(b)(1) or (4) or 497(h) under the 1933 Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Provo, State of Utah on June 4, 1997.

NU SKIN ASIA PACIFIC, INC.

By: /s/ STEVEN J. LUND

Steven J. Lund
Its: PRESIDENT AND CHIEF EXECUTIVE OFFER

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below on June 4, 1997 by the following persons in the capacities indicated. Each person whose signature appears below hereby appoints and constitutes Blake M. Roney and Steven J. Lund, as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to execute in the name and on behalf of such person any amendment to this Registration Statement and to file the same, with exhibits thereto, and other documents in connection therewith, making such changes in this Registration Statement as the person so acting deems appropriate, hereby ratifying and confirming all that said attorney-in-fact, or his substitute may do or cause to be done by virtue hereof.

SIGNATURE	TITLE	DATE
/s/ BLAKE M. RONEY ----- Blake M. Roney	Chairman of the Board of Directors	June 4, 1997
/s/ STEVEN J. LUND ----- Steven J. Lund	President and Chief Executive Officer and Director (Principal Executive Officer)	June 4, 1997
/s/ COREY B. LINDLEY ----- Corey B. Lindley	Chief Financial Officer (Principal Financial and Accounting Officer)	June 4, 1997
/s/ SANDRA N. TILLOTSON ----- Sandra N. Tillotson	Director	June 4, 1997
/s/ KEITH R. HALLS ----- Keith R. Halls	Director	June 4, 1997
/s/ BROOKE B. RONEY ----- Brooke B. Roney	Director	June 4, 1997

SIGNATURE	TITLE	DATE
/s/ KIRK V. RONEY Kirk V. Roney	Director	June 4, 1997
/s/ MAX L. PINEGAR Max L. Pinegar	Director	June 4, 1997
/s/ E.J. "JAKE" GARN E.J. "Jake" Garn	Director	June 4, 1997
/s/ PAULA HAWKINS Paula Hawkins	Director	June 4, 1997
/s/ DANIEL W. CAMPBELL Daniel W. Campbell	Director	June 4, 1997

INDEX TO EXHIBITS

PAGINATION BY
SEQUENTIAL
NUMBERING
SYSTEM

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	PAGINATION BY SEQUENTIAL NUMBERING SYSTEM
*1.1	Form of U.S. Purchase Agreement.....	
**2.1	Form of Contribution Agreement.....	
**3.1	Amended and Restated Certificate of Incorporation of the Company.....	
**3.2	Amended and Restated Bylaws of the Company.....	
**4.1	Specimen Form of Stock Certificate for Class A Common Stock.....	
**4.2	Specimen Form of Stock Certificate for Class B Common Stock.....	
*5.1	Opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P. regarding legality of the securities covered by this Registration Statement.....	
**10.1	Form of Indemnification Agreement entered into by and among the Company and certain of its officers and directors.....	
**10.2	Stockholders Agreement, dated as of November 20, 1996, by and among the initial stockholders of the Company.....	
**10.3	Employment Contract, dated December 12, 1991, by and between the Company and John Chou.....	
**10.4	Employment Agreement, dated May 1, 1993, by and between the Company and Takashi Bamba.....	
**10.5	Service Agreement, dated January 1, 1996, by and between the Company and Sung-Tae Han.....	
**10.6	Form of Purchase and Sale Agreement between Nu Skin Hong Kong and NSI.....	
**10.7	Form of Licensing and Sales Agreement between NSI and each Subsidiary (other than Nu Skin Korea).....	
**10.8	Form of Regional Distribution Agreement between NSI and Nu Skin Hong Kong.....	
**10.9	Form of Wholesale Distribution Agreement between Nu Skin Hong Kong and each Subsidiary (other than Nu Skin Korea).....	
**10.10	Form of Trademark/Tradename License Agreement between NSI and each Subsidiary (other than Nu Skin Korea).....	
**10.11	Form of Management Services Agreement between NSIMG and each Subsidiary...	
*10.12	Licensing and Sales Agreement between NSI and Nu Skin Korea.....	
**10.13	Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Hong Kong/Macau.....	
**10.14	Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Japan.....	
**10.15	Form of Independent Distributor Agreement by and between NSI and Independent Distributors in South Korea.....	
**10.16	Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Taiwan and Thailand.....	
**10.17	Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan.....	
**10.18	Form of Bonus Incentive Plan for Subsidiary Presidents.....	
**10.19	Option Agreement between the Company and M. Truman Hunt.....	

EXHIBIT
NUMBER

EXHIBIT DESCRIPTION

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- **10.20 Form of Mutual Indemnification Agreement between the Company and NSI.....

 - **10.21 Manufacturing Sublicense Agreement, dated July 27, 1995, between NSI and Nu Skin Japan.....

 - ***10.22 Licensing and Sales Agreement between NSI and Nu Skin Thailand dated March 12, 1997.....

 - ***10.23 Wholesale Distribution Agreement between Nu Skin Hong Kong and Nu Skin Thailand dated March 12, 1997.....

 - ***10.24 Trademark/Tradenname Licensing Agreement between NSI and Nu Skin Thailand dated March 12, 1997.....

 - ***10.25 Management Services Agreement between NSIMG and Nu Skin Thailand dated March 12, 1997.....

 - *10.26 Wholesale Distribution Agreement between Nu Skin Hong Kong and Nu Skin Korea.....

 - *10.27 Trademark/Tradenname License Agreement between NSI and Nu Skin Korea.....

 - **21.1 Subsidiaries of the Company.....

 - *23.1 Consent of Price Waterhouse LLP, independent accountants.....

 - *23.2 Consent of LeBoeuf, Lamb, Green & MacRae, L.L.P. (included in legal opinion--see Exhibit 5.1).....

 - *24 Power of Attorney (included with the signatures in Part II of this Registration Statement).....

* Filed herewith

** Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-12073).

*** Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

Nu Skin Asia Pacific, Inc.

A Delaware Corporation

5,600,000 Shares of Class A Common Stock

U.S. PURCHASE AGREEMENT

Dated: _____, 1997

NU SKIN ASIA PACIFIC, INC.

A DELAWARE CORPORATION

5,600,000 SHARES OF CLASS A COMMON STOCK

(PAR VALUE \$.001 PER SHARE)

U.S. PURCHASE AGREEMENT

_____, 1997

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Morgan Stanley Dean Witter
Nomura Securities International, Inc.
PaineWebber Incorporated
as U.S. Representatives of the several U.S. Underwriters
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
North Tower
World Financial Center
New York, New York 10281-1209

Ladies and Gentlemen:

The stockholders of Nu Skin Asia Pacific, Inc., a Delaware Corporation (the "Company") named in Schedule B hereto (collectively, the "Selling Stockholders"), propose to sell severally to the U.S. Underwriters named in Schedule A hereto (collectively, the "U.S. Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Morgan Stanley Dean Witter, Nomura Securities International, Inc. and PaineWebber Incorporated are acting as representatives (in such capacity, the "U.S. Representatives"), an aggregate of 5,600,000 shares of Class A Common Stock, par value \$.001 per share, of the Company (the "Common Stock") as set forth in the appropriate column of Schedule B. Such shares of Common Stock are to be sold to each U.S. Underwriter acting severally and not jointly, in such amounts as are set forth on Schedule A opposite the name of such U.S. Underwriter. The Selling Stockholders also grant to the U.S. Underwriters, acting severally and not jointly, the option described in Section 2(b) hereof to purchase all or any part of 840,000 additional shares of

Common Stock to cover over-allotments, if any. The aforesaid 5,600,000 shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the 840,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "U.S. Option Securities") are hereinafter called, collectively, the "U.S. Securities".

It is understood that the Company and the Selling Stockholders are concurrently entering into an agreement dated the date hereof (the "International Purchase Agreement") providing for the sale by the Selling Stockholders of an aggregate of 1,400,000 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada, (the "International Managers") for whom Merrill Lynch International, Morgan Stanley Dean Witter, Nomura International plc and PaineWebber Incorporated are acting as lead managers (the "Lead Managers") and the grant by the Selling Stockholders to the International Managers, acting severally and not jointly, of an option to purchase all or any part of the International Managers' pro rata portion of up to 210,000 additional shares of Common Stock solely to cover over-allotments, if any (the "International Option Securities" and, together with the U.S. Option Securities the "Option Securities"). The Initial International Securities and the International Option Securities are hereinafter called the "International Securities." It is understood that the Selling Stockholders are not obligated to sell, and the U.S. Underwriters are not obligated to purchase, any Initial U.S. Securities unless all of the Initial International Securities are contemporaneously purchased by the International Managers or purchasers procured by them.

The U.S. Underwriters and the International Managers are hereinafter collectively called the "Underwriters," the Initial U.S. Securities and the Initial International Securities are hereinafter collectively called the "Initial Securities," and the U.S. Securities and the International Securities are hereinafter collectively called the "Securities."

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of the Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The Company and the Selling Stockholders understand that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the U.S. Representatives deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-_____) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule

424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Securities: one relating to the International Securities (the "Form of International Prospectus"), and one relating to the U.S. Securities (the "Form of U.S. Prospectus"). The information included in the Form of U.S. Prospectus or in any Term Sheet relating thereto, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus used before such registration statement became effective, and any Form of U.S. Prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, and any International Prospectus of even date relating to the International Securities, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of U.S. Prospectus and the final Form of International Prospectus in the forms first furnished to the Underwriters for use in connection with the offering of the Securities are herein called the "U.S. Prospectus" and the "International Prospectus," respectively, and, collectively, the "Prospectuses." If Rule 434 is relied on, the term "U.S. Prospectus" shall refer to the U.S. preliminary prospectus dated _____, 1997 together with the Term Sheet and all references in this Agreement to the date of such Prospectus shall mean the date of the Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any U.S. preliminary prospectus, the U.S. Prospectus or any Term Sheet relating thereto or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

SECTION 1. Representations and Warranties.

(a) REPRESENTATIONS AND WARRANTIES BY THE COMPANY. The Company represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each U.S. Underwriter, as follows:

(i) COMPLIANCE WITH REGISTRATION REQUIREMENTS. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no

proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply at these times in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither of the Prospectuses nor any amendments or supplements thereto, at the time the Prospectuses or any amendments or supplements were issued and at the Closing Time (and, in the case of the U.S. Prospectus, if any U.S. Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the U.S. Prospectus shall not be "materially different", as such term is used in Rule 434, from the prospectus included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or U.S. Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement or the U.S. Prospectus.

Each U.S. preliminary prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each U.S. preliminary prospectus and the U.S. Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) INDEPENDENT ACCOUNTANTS. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) FINANCIAL STATEMENTS. The financial statements included in the

Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the financial position of the Company and Nu Skin Japan Limited, Nu Skin Korea, Inc., Nu Skin Taiwan, Inc., Nu Skin Hong Kong, Inc. and Nu Skin Personal Care (Thailand) Limited (collectively, the "Subsidiaries") Subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and the Subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The pro forma financial statements and the related notes thereto included in the Registration Statement and the Prospectuses present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(iv) NO MATERIAL ADVERSE CHANGE IN BUSINESS. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its Subsidiaries considered as one enterprise, and (C) except for the S Corporation Distribution, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(v) GOOD STANDING OF THE COMPANY. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement and the International Purchase Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vi) GOOD STANDING OF SUBSIDIARIES. Each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing (or has such comparable corporate status as may be applicable in its jurisdiction of incorporation) under the laws of the jurisdiction of its incorporation (in the case of Nu Skin Japan Company, Limited being both the state of Delaware and the country of Japan, in the case of Nu Skin Korea, Inc. being both the state of Delaware and the country of South Korea and in the case of Nu Skin Personal Care (Thailand) Limited being both the state of Delaware and the country of Thailand), has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company directly, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The Subsidiaries are the only subsidiaries of the Company and the Subsidiaries are the only subsidiaries listed on Exhibit 21 to the Registration Statement.

(vii) CAPITALIZATION. The authorized, issued and outstanding capital stock of the Company upon consummation of the Reorganization will be as set forth in the U.S. and the International Prospectuses in the column entitled "As Adjusted" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement and the International Purchase Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectuses or pursuant to the exercise of convertible securities or options referred to in the Prospectuses).

(viii) AUTHORIZATION OF AGREEMENT. This Agreement and the International Purchase Agreement have been duly authorized, executed and delivered by the Company.

(ix) AUTHORIZATION AND DESCRIPTION OF SECURITIES. The shares of issued and outstanding capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock, including the Securities to be purchased by the Underwriters from the Selling Stockholders, was issued in violation of the preemptive or other similar rights of any securityholder of the Company; the Common Stock conforms to all statements relating thereto contained in the Prospectuses and such description conforms to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder.

(x) ABSENCE OF DEFAULTS AND CONFLICTS. Neither the Company nor any of its Subsidiaries is in violation of its charter or by-laws or comparable governing documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the International Purchase Agreement and the consummation of the transactions contemplated in this Agreement and the International Purchase Agreement and in the Registration Statement and compliance by the Company with its obligations under this Agreement and the International Purchase Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or comparable governing documents of any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xi) ABSENCE OF LABOR DISPUTE. No labor dispute with the employees or distributors of the Company or any of its affiliates exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xii) ABSENCE OF PROCEEDINGS. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which would reasonably be expected by the Company to result in a Material Adverse Effect, or which would reasonably be expected by the Company to materially and adversely

affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement and the International Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, is not reasonably expected to result in a Material Adverse Effect.

(xiii) ACCURACY OF EXHIBITS. There are no contracts or documents which are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described and filed as required.

(xiv) POSSESSION OF INTELLECTUAL PROPERTY. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xv) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the sale of the Securities under this Agreement and the International Purchase Agreement, or the consummation of the transactions contemplated in the Prospectuses, this Agreement and the International Purchase Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws obtained or as may be required.

(xvi) POSSESSION OF LICENSES AND PERMITS. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to possess such Governmental Licenses would not, singly or in the aggregate, have a Material Adverse Effect; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in

the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xvii) TITLE TO PROPERTY. The Company and its Subsidiaries have good and marketable title to all real property owned by the Company and its Subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectuses or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Prospectuses, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xviii) ENVIRONMENTAL LAWS. Except as described in the Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there

are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xix) REGISTRATION RIGHTS. Except as described in the Prospectuses, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(xx) CERTAIN TRANSACTIONS. There are no business relationships or related-party transactions of the nature described in Item 404 of Regulation S-K involving the Company and any other persons referred to in said Item 404 that are required to be disclosed in the U.S. Prospectus and that have not been so disclosed.

(xxi) OPERATING AGREEMENTS. The Licensing and Sales Agreements, the Regional Distribution Agreement, the Wholesale Distribution Agreements, the Trademark/Tradename License Agreements and the Management Services Agreements, each dated November 20, 1996 (as amended, modified or supplemented from time to time, collectively, the "Operating Agreements"), to which one or more of the Subsidiaries (other than Nu Skin Thailand) is a party, and the Licensing and Sales Agreement, the Wholesale Distribution Agreement, the Trademark/Tradename License Agreement and the Management Services Agreement, each dated March 12, 1997, to which Nu Skin Thailand is a party (all such agreements, in each case as amended, modified or supplemented from time to time, being referred to collectively as the "Operating Agreements") (i) have been duly authorized by all necessary corporate action on the part of the Company and the Subsidiaries, (ii) do not conflict with or result in a breach of or (with or without the giving of notice, lapse of time or both) constitute a default under, the certificate of incorporation of the Company or comparable governing document of any Subsidiary or any material agreement to which the Company or any Subsidiary is a party or by which any of their properties are bound (except for such conflicts, breaches or defaults, that would not have a Material Adverse Effect) and (iii) have been or by the Closing Time (as hereinafter defined) will have been duly executed and delivered by one or more of the Subsidiaries and constitute or will constitute legal, valid and binding obligations of the Company and the Subsidiaries, enforceable against them in accordance with their terms.

(b) REPRESENTATIONS AND WARRANTIES BY THE SELLING STOCKHOLDERS. Each Selling Stockholder (or Back-Stopped Selling Stockholder (as defined in Section 6(a)), as the case may be) severally represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time, and, if the Selling Stockholder is selling U.S. Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each U.S. Underwriter, as follows:

(i) ACCURATE DISCLOSURE. To the best knowledge of each Back-Stopped Selling Stockholder, the representations and warranties of the Company contained in Section 1(a) hereof are true and correct; such Back-Stopped Selling Stockholder has reviewed and is familiar with the Registration Statement and the Prospectuses and neither the Prospectuses nor any amendments or supplements thereto (including any prospectus wrapper) includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; each Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any Subsidiary of the Company which is not set forth in the Prospectuses.

(ii) AUTHORIZATION OF AGREEMENTS. Each Selling Stockholder has the full right, power and authority to enter into this Agreement, the International Purchase Agreement, and a Power of Attorney and Custody Agreement (the "Power of Attorney and Custody Agreement") and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder hereunder and under the International Purchase Agreement. The execution and delivery of this Agreement, the International Purchase Agreement, and the Power of Attorney and Custody Agreement and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and therein and compliance by such Selling Stockholder with its obligations hereunder and thereunder have been duly authorized by such Selling Stockholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, if applicable, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(iii) GOOD AND MARKETABLE TITLE. Such Selling Stockholder has and will at the Closing Time and, if any Option Securities are purchased, on the Date of Delivery have good and marketable title to the Securities to be sold by such Selling Stockholder hereunder and under the International Purchase Agreement, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement and the International Purchase Agreement; and upon delivery of such Securities and payment of the purchase price therefor as herein and therein contemplated, assuming each such Underwriter has no

notice of any adverse claim, each of the Underwriters will receive good and marketable title to the Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) DUE EXECUTION OF POWER OF ATTORNEY AND CUSTODY AGREEMENT. Such Selling Stockholder has duly executed and delivered, in the form heretofore furnished to the U.S. Representatives, the Power of Attorney and Custody Agreement with Keith R. Halls and M. Truman Hunt, or either of them, as attorneys-in-fact (the "Attorneys-in-Fact") and American Stock Transfer and Trust Company, as custodian (the "Custodian"); the Custodian is authorized to deliver the Securities to be sold by such Selling Stockholder hereunder and to accept payment therefor; and each Attorney-in-Fact is authorized to execute and deliver this Agreement and the International Purchase Agreement and the certificate referred to in Section 5(l) or that may be required pursuant to Sections 5(s) and 5(t) on behalf of such Selling Stockholder, to sell, assign and transfer to the Underwriters the Securities to be sold by such Selling Stockholder hereunder and thereunder, [to determine the purchase price to be paid by the U.S. Underwriters to such Selling Stockholder, as provided in Section 2(a) hereof,] to authorize the delivery of the Securities to be sold by such Selling Stockholder hereunder and thereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement and the International Purchase Agreement.

(v) ABSENCE OF MANIPULATION. Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the performance by each Selling Stockholder of its obligations under this Agreement or the International Purchase Agreement or under the Power of Attorney and Custody Agreement, or in connection with the sale and delivery of the Securities or the consummation of the transactions contemplated by this Agreement and the International Purchase Agreement, except such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(vii) RESTRICTION ON SALE OF SECURITIES. During a period of 365 days from the date of the U.S. Prospectus, such Selling Stockholder, on its own behalf and on behalf of all corporations, limited liability companies, partnerships, trusts, foundations and similar entities for which such Selling Stockholder has investment power, will not, without the prior written consent of Merrill Lynch (i) offer, pledge, sell, contract to

sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to the Securities to be sold hereunder or under the International Purchase Agreement.

(viii) CERTIFICATES SUITABLE FOR TRANSFER. Certificates for all of the Securities to be sold by such Selling Stockholder pursuant to this Agreement or the International Purchase Agreement in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with irrevocable conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement or the International Purchase Agreement.

(ix) NO ASSOCIATION WITH NASD. Neither such Selling Stockholder nor any of his or her affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the By-laws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(c) OFFICER'S CERTIFICATES. Any certificate signed by any officer of the Company or any of its Subsidiaries delivered to Merrill Lynch, the U.S. Representatives or to counsel for the U.S. Underwriters shall be deemed a representation and warranty by the Company to each U.S. Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of the Selling Stockholders as such and delivered to Merrill Lynch, the U.S. Representatives or to counsel for the U.S. Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to each U.S. Underwriter as to the matters covered thereby.

SECTION 2 SALE AND DELIVERY TO THE U.S. UNDERWRITERS; CLOSING.

(a) INITIAL SECURITIES. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder agrees, severally and not jointly, to sell to each U.S. Underwriter, and each U.S. Underwriter agrees, severally and not jointly, to purchase from each Selling Stockholder, at the price per share set forth in Schedule C, that proportion of the number of Initial U.S. Securities set forth in Schedule B opposite the name of such Selling Stockholder, as the case may be, which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter, plus any additional number of Initial U.S. Securities which such U.S. Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof, bears to the total number of Initial U.S. Securities, subject, in each case, to such adjustments among the U.S. Underwriters as Merrill Lynch in its sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) U.S. OPTION SECURITIES. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders specified in Schedule B as selling U.S. Option Securities acting severally and not jointly, hereby grant an option to the U.S. Underwriters, severally and not jointly, to purchase up to an aggregate of 840,000 additional shares of Common Stock, as set forth in Schedule B, at the price per share set forth in Schedule C, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by Merrill Lynch to the Selling Stockholders, setting forth the number of U.S. Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such U.S. Option Securities. Any such time and date of delivery for the U.S. Option Securities (a "Date of Delivery") shall be determined by Merrill Lynch, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the U.S. Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as Merrill Lynch in its discretion shall make to eliminate any sales or purchases of fractional shares.

(c) PAYMENT. Payment of the purchase price for, and delivery of certificates for, the Initial U.S. Securities shall be made at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022-6069, or at such other place as shall be agreed upon by Merrill Lynch, the Company and the Selling Stockholders, at 9:30 A.M. (New York Time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of

Section 10), or such other time not later than ten business days after such date as shall be agreed upon by Merrill Lynch, the Company and the Selling Stockholders (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the U.S. Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for, and delivery of certificates for, such U.S. Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by Merrill Lynch, the Company and the Selling Stockholders, on each Date of Delivery as specified in the notice from Merrill Lynch to the Company and the Selling Stockholders.

Payment shall be made to the Selling Stockholders by wire transfer of immediately available funds to bank accounts designated by the Custodian pursuant to each Selling Stockholder's Power of Attorney and Custody Agreement, against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. It is understood that each U.S. Underwriter has authorized the U.S. Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the U.S. Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the U.S. Option Securities, if any, to be purchased by any U.S. Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder.

(d) DENOMINATIONS; REGISTRATION. Certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, will be made available for examination and packaging by the U.S. Representatives in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3 COVENANTS OF THE COMPANY. The Company covenants with each U.S. Underwriter as follows:

(a) COMPLIANCE WITH SECURITIES REGULATIONS AND COMMISSION REQUESTS. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify Merrill Lynch immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the U.S. Prospectus or any amended U.S. Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the U.S. Prospectus or for

additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order in the United States and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) FILING OF AMENDMENTS. The Company will give Merrill Lynch notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the U.S. or the International Prospectuses, will furnish Merrill Lynch with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which Merrill Lynch or counsel for the U.S. Underwriters shall object.

(c) DELIVERY OF REGISTRATION STATEMENTS. The Company has furnished or will deliver to the U.S. Representatives and counsel for the U.S. Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the U.S. Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) DELIVERY OF PROSPECTUSES. The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each U.S. Underwriter, without charge, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934 Act"), such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request. The U.S. Prospectus and any amendments or supplements thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with

the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) CONTINUED COMPLIANCE WITH SECURITIES LAWS. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and the International Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the U.S. Underwriters or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that such Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will (i) with respect to the U.S. Prospectus, promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the U.S. Prospectus comply with such requirements, (ii) with respect to the International Prospectus, supplement such prospectus to correct such statement or omission and (iii) furnish to the Underwriters such number of copies of such amendments or supplements as the Underwriters may reasonably request.

(f) RULE 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(g) LISTING. The Company will use its best efforts to effect the listing of the Securities on the New York Stock Exchange.

(h) RESTRICTION ON SALE OF SECURITIES. During a period of 90 days from the date of the U.S. Prospectus, the Company will not, without the prior written consent of Merrill Lynch, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not

apply to (A) the Securities to be sold hereunder or under the International Purchase Agreement, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of any security outstanding on the date hereof and referred to in the Prospectuses, or (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectuses.

(i) REPORTING REQUIREMENTS. The Company, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

SECTION 4 PAYMENT OF EXPENSES. (a) EXPENSES. The Company will pay or cause to be paid all expenses incident to the performance of the obligations of the Company and of the Selling Stockholders under this Agreement, including (i) the preparation by the Company, printing and filing in the United States of the Registration Statement (including financial statements and exhibits) as originally filed and in the United States of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, the Intersyndicate Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale or delivery of the Securities to the Underwriters and the transfer of the Securities between the U.S. Underwriters and the International Managers (iv) the fees and disbursements of the Company's counsel, accountants and other advisors and the Selling Stockholders' counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the U.S. Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the U.S. Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities, (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the U.S. Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Securities, and (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange.

(b) TERMINATION OF AGREEMENT. If this Agreement is terminated by the U.S. Representatives in accordance with the provisions of Section 5, Section 9(a)(i) or Section 11 hereof, the Selling Stockholders shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters. Except as provided in this Section 4 and in Sections 6 and 7 hereof, the

Company shall not be responsible for paying the out-of-pocket expenses of the U.S. Underwriters.

(c) ALLOCATION OF EXPENSES. The provisions of this Section shall not affect any agreement that the Company and the Selling Stockholders may make for the sharing of such costs and expenses.

SECTION 5 CONDITIONS OF U.S. UNDERWRITERS' OBLIGATIONS. The obligations of the several U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company or any Subsidiary of the Company or by or on behalf of any Selling Stockholder delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) EFFECTIVENESS OF REGISTRATION STATEMENT. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel for the U.S. Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) OPINION OF COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of LeBoeuf, Lamb, Greene & MacRae, L.L.P. counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit A hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(c) OPINION OF GENERAL COUNSEL TO THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of the General Counsel of the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit B hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(d) OPINION OF COUNSEL FOR THE SELLING STOCKHOLDERS. At Closing Time, the

U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of LeBoeuf, Lamb, Greene & MacRae, L.L.P., counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit C hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(e) OPINION OF JAPANESE COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Tokyo Aoyama Law Office, Japanese counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit D hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(f) OPINION OF HONG KONG COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Baker & McKenzie, Hong Kong counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit E hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(g) OPINION OF TAIWANESE COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Lee & Li, Taiwanese counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit F hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(h) OPINION OF SOUTH KOREAN COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Kim & Chang, South Korean counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit G hereto and to such further effect as counsel for the U.S. Underwriters may reasonably request.

(i) OPINION OF THAI COUNSEL FOR THE COMPANY. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Anek & Associates, Thai counsel for the company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit H hereto and to such further effect as counsel for the U.S. Underwriters may

reasonably request.

(j) OPINION OF COUNSEL FOR U.S. UNDERWRITERS. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Shearman & Sterling, counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters with respect to the matters set forth in clauses (i), (iii), (vi), (vii) (solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (viii) through (x), inclusive, (xii), (xiii) (solely as to the information in the Prospectus under "Description of Capital Stock--Common Stock") and the penultimate paragraph of Exhibit A hereto. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the U.S. Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(k) OFFICERS' CERTIFICATE. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the U.S. Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(l) CERTIFICATE OF SELLING STOCKHOLDERS. At Closing Time, the U.S. Representatives shall have received a certificate of an Attorney-in-Fact on behalf of each Selling Stockholder, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder contained in Section 1(b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) each Selling Stockholder has complied in all material respects with all agreements and all conditions on its part to be performed under this Agreement and the International Purchase Agreement at or prior to Closing Time.

(m) ACCOUNTANT'S COMFORT LETTER. At the time of the execution of this

Agreement, the U.S. Representatives shall have received from Price Waterhouse L.L.P. a letter dated such date, in form and substance satisfactory to the U.S. Representatives, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(n) BRING-DOWN COMFORT LETTER. At Closing Time, the U.S. Representatives shall have received from Price Waterhouse L.L.P. a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (m) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(o) APPROVAL OF LISTING. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(p) NO OBJECTION. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(q) LOCK-UP AGREEMENTS. At the date of this Agreement, the U.S. Representatives shall have received an agreement substantially in the form of Exhibit I hereto signed by the persons listed on Schedule D hereto.

(r) PURCHASE OF INITIAL INTERNATIONAL SECURITIES. Contemporaneously with the purchase by the U.S. Underwriters of the Initial U.S. Securities under this Agreement, the International Managers shall have purchased the Initial International Securities under the International Purchase Agreement.

(s) CONDITIONS TO PURCHASE OF THE U.S. OPTION SECURITIES. In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the U.S. Option Securities, the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company, any Subsidiary of the Company and the Selling Stockholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the U.S. Representatives shall have received:

(i) OFFICERS' CERTIFICATE. A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(k) hereof remains true and correct as of such Date of Delivery.

(ii) CERTIFICATE OF SELLING STOCKHOLDERS. A certificate, dated such Date of Delivery, of an Attorney-in-Fact on behalf of each Selling Stockholder confirming that the certificate delivered at Closing Time pursuant to Section 5(1) remains true and correct as of such Date of Delivery.

(iii) OPINION OF COUNSEL FOR COMPANY. The favorable opinion of counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) OPINION OF GENERAL COUNSEL FOR THE COMPANY. The favorable opinion of the Company's General Counsel, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) OPINION OF COUNSEL FOR THE SELLING STOCKHOLDERS. The favorable opinion of LeBoeuf, Lamb, Greene & Macrae, L.L.P., counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(vi) OPINION OF JAPANESE COUNSEL FOR COMPANY. The favorable opinion of Japanese counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(e) hereof.

(vii) OPINION OF HONG KONG COUNSEL FOR THE COMPANY. The favorable opinion of Hong Kong counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(f) hereof.

(viii) OPINION OF TAIWANESE COUNSEL FOR THE COMPANY. The favorable opinion of Taiwanese counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(g) hereof.

(ix) OPINION OF SOUTH KOREAN COUNSEL FOR THE COMPANY. The favorable opinion of South Korean counsel for the Company, in form and

substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(h) hereof.

(x) OPINION OF THAI COUNSEL FOR THE COMPANY. The favorable opinion of Thai counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(i) hereof.

(xi) OPINION OF COUNSEL FOR THE U.S. UNDERWRITERS. The favorable opinion of Shearman & Sterling, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(j) hereof.

(xii) BRING-DOWN COMFORT LETTER. A letter from Price Waterhouse L.L.P., in form and substance satisfactory to the U.S. Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the U.S. Representatives pursuant to Section 5(n) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(t) ADDITIONAL DOCUMENTS. At Closing Time and at each Date of Delivery counsel for the U.S. Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders in connection with the sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the U.S. Representatives and counsel for the U.S. Underwriters.

(u) TERMINATION OF AGREEMENT. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of U.S. Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several U.S. Underwriters to purchase the relevant Option Securities, may be terminated by the U.S. Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6 INDEMNIFICATION.

(a) INDEMNIFICATION OF U.S. UNDERWRITERS. The Company and the Selling Stockholders, jointly (except as provided in clause (2) below) and severally, agree to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(1) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(2) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; PROVIDED that any such settlement is effected with the written consent of (A) the Company, to the extent indemnification pursuant to this Section 6(a)(2) is sought from the Company, and (B) each Selling Stockholder, to the extent indemnification pursuant to this Section 6(a)(2) is sought from such Selling Stockholder; and

(3) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission hereof, to the extent that any such expense is not paid under clauses (1) or (2) above;

PROVIDED, HOWEVER, that (x) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any U.S. Underwriter through Merrill Lynch or expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any U.S. preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto); (y) the

aggregate liability of each Selling Stockholder under this Section 6 (together with any liability of such Selling Stockholder under Section 6 of the International Purchase Agreement shall be limited to an amount equal to the net proceeds (after deducting the aggregate Underwriters' discount, but before deducting expenses) received by such Selling Stockholder from the sale of his or her Securities pursuant to this Agreement and the International Purchase Agreement and (z) each Selling Stockholder other than the Back-Stopped Selling Stockholders (such other Selling Stockholders being referred to herein as the "Limited Selling Stockholders") will be liable in any case only to the extent that any such loss, liability, claim, damage or expense arises out of or is based upon statements in or omissions from the Registration Statement (or any amendment thereto) based upon information furnished to the Company by such Limited Selling Stockholder expressly for use therein; and PROVIDED, FURTHER, that the Company and the Selling Stockholders shall not be liable to any U.S. Underwriter under this subsection (a) with respect to any U.S. preliminary prospectus to the extent that any loss, claim, damage or liability of such U.S. Underwriter results from the fact that such U.S. Underwriter sold U.S. Securities to a person to whom there was not given or sent, at or prior to the written confirmation of such sale, a copy of the U.S. Prospectus or of the U.S. Prospectus as then amended or supplemented in any case where such delivery is required by the Securities Act if the Company has previously furnished copies thereof to such U.S. Underwriter and the loss, claim, damage or liability of such U.S. Underwriter results from an untrue statement or omission of a material fact contained in the U.S. preliminary prospectus which was corrected in the U.S. Prospectus (as amended or supplemented).

In making a claim for indemnification under this Section 6 (other than pursuant to clause (a)(4) of this Section 6) or contribution under Section 7 hereof by the Company or the Selling Stockholders, the indemnified parties may proceed against either (1) the Company and the Selling Stockholders jointly, (2) the Selling Stockholders only or (3) the Company only, but may not proceed solely against Blake M. Roney, Steven J. Lund and Keith R. Halls and the trusts, partnerships, foundations, corporations, limited liability companies and similar Selling Stockholder entities for which these individuals have investment power (the "Back-Stopped Selling Stockholders"), except as set forth below. In the event that the indemnified parties are entitled to seek indemnity or contribution hereunder against any loss, liability, claim, damage and expense to which this paragraph applies then, as a precondition to any indemnified party obtaining indemnification or contribution from any Back-Stopped Selling Stockholder, the indemnified parties shall first obtain a final judgment from a trial court that such indemnified parties are entitled to indemnity or contribution under this Agreement from the Company and the Selling Stockholders with respect to such loss, liability, claim, damage or expense (the "Final Judgment") and shall seek to satisfy such Final Judgment in full from the Company by making a written demand upon the Company for such satisfaction. Only in the event such Final Judgment shall remain unsatisfied in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to take action to satisfy such Final Judgment by making demand directly on the Back-Stopped Selling Stockholders (but only if and to the extent the Company has not already satisfied such Final Judgment, whether by settlement, release or otherwise). The indemnified parties may exercise this right to first seek to obtain payment from the Company and thereafter obtain payment from the Back-Stopped Selling Stockholders without regard to the pursuit by any

party of its rights to the appeal of such Final Judgment. The indemnified parties shall, however, be relieved of their obligation to first obtain a Final Judgment against the Company to seek to obtain payment from the Company with respect to such Final Judgment or, having sought such payment, to wait such 45 days after failure by the Company to immediately satisfy any such Final Judgment if (A) the Company files a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), (B) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (C) the Company makes an assignment for the benefit of its creditors, (D) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets, or (E) the loss, liability, claim, damage or expense arises out of or is based upon statements in or omissions from the Registration Statement (or any amendment thereto) based upon information furnished to the Company by a Back-Stopped Selling Stockholder for use therein. The foregoing provisions of this paragraph are not intended to require any indemnified party to obtain a Final Judgment against the Company, or the Selling Stockholders before obtaining reimbursement of expenses pursuant to clause (a)(3) of this Section 6. However, the indemnified parties shall first seek to obtain such reimbursement in full from the Company by making a written demand upon the Company for such reimbursement. Only in the event such expenses shall remain unreimbursed in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to receive reimbursement of such expenses from the Back-Stopped Selling Stockholders by making written demand directly on the Back-Stopped Selling Stockholders (but only if and to the extent the Company has not already satisfied the demand for reimbursement, whether by settlement, release or otherwise). The indemnified parties shall, however, be relieved of their obligation to first seek to obtain such reimbursement in full from the Company or, having made written demand therefor, to wait such 45 days after failure by the Company to immediately reimburse such expenses if (I) the Company files a petition for relief under the Bankruptcy Code, (II) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (III) the Company makes an assignment for the benefit of its creditors, (IV) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets, or (V) the loss, liability, claim, damage or expense arises out of or is based upon statements in or omissions from the Registration Statement (or any amendment thereto) based upon information furnished to the Company by a Back-Stopped Selling Stockholder for use therein. Notwithstanding anything to the contrary contained herein, the provisions of this paragraph shall not apply to any claim for indemnity pursuant to clause (a)(2) of this Section 6 if the indemnified parties are entitled to seek indemnity under such clause (a)(2) from any Selling Stockholder with respect to a settlement that has not been effected with the written consent of the Company.

(b) INDEMNIFICATION OF COMPANY, DIRECTORS AND OFFICERS AND SELLING STOCKHOLDERS. Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Stockholder against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue

statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any U.S. preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

(c) ACTIONS AGAINST PARTIES; NOTIFICATION. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel for the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel for the indemnified parties shall be selected by the Company; PROVIDED, HOWEVER, that in each such case, such counsel shall be reasonably satisfactory to the indemnifying party. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel for the indemnifying party shall not (except with the consent of the indemnified party) also be counsel for the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) SETTLEMENT WITHOUT CONSENT IF FAILURE TO REIMBURSE. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(2) or Section 6(a)(3) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) OTHER AGREEMENTS WITH RESPECT TO INDEMNIFICATION. The provisions of this Section shall not affect any agreement between the Company and the Selling Stockholders with respect to indemnification.

SECTION 7. CONTRIBUTION. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the U.S. Underwriters on the other hand in connection with the statements or omissions, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand in connection with the offering of the U.S. Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the U.S. Securities pursuant to this Agreement (before deducting expenses) received by the Selling Stockholders and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the U.S. Securities as set forth on such cover.

The relative fault of the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders or by the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Stockholders and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened,

or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company or such Selling Stockholder, as the case may be. The U.S. Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

The provisions of this Section shall not affect any agreement between the Company and the Selling Stockholders with respect to contribution.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its Subsidiaries or the Selling Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company or the Selling Stockholders, and shall survive delivery of the Securities to the U.S. Underwriters.

SECTION 9. TERMINATION OF AGREEMENT

(a) TERMINATION; GENERAL. The U.S. Representatives may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the U.S. Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the other international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either U.S. Federal or New York State authorities.

(b) LIABILITIES. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. DEFAULT BY ONE OR MORE OF THE U.S. UNDERWRITERS. If one or more of the U.S. Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Representatives shall not have completed such arrangements within such 24-hour period, then:

a. if the number of Defaulted Securities does not exceed 10% of the number of U.S. Securities to be purchased on such date, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

b. if the number of Defaulted Securities exceeds 10% of the number of U.S. Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the U.S. Underwriters to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the U.S. Underwriters to purchase and the Company to sell the relevant U.S. Option Securities, as the case may be, either the (i) U.S. Representatives or (ii) the Company and any Selling Stockholder shall have the right to postpone the Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "U.S. Underwriter" includes any person substituted for a U.S. Underwriter under this Section 10.

SECTION 11. DEFAULT BY ONE OR MORE OF THE SELLING STOCKHOLDERS. If one or more Selling Stockholders shall fail at Closing Time or at a Date of Delivery to sell and deliver the number of Securities which such Selling Stockholder or Selling Stockholders are obligated to sell hereunder, and the remaining Selling Stockholders do not exercise the right hereby granted to increase, pro rata or otherwise, the number of Securities to be sold by them hereunder to the total number to be sold by all Selling Stockholders as set forth in Schedule B hereto, then the U.S. Underwriters may, at the option of the U.S. Representatives, by notice from the U.S. Representatives to the Company and the non-defaulting Selling Stockholders, either (a) terminate this Agreement without any liability on the fault of any non-defaulting party except that the provisions of Sections 1, 4, 6, 7 and 8 shall remain in full force and effect or (b) elect to purchase the Securities which the non-defaulting Selling Stockholders have agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Stockholder so defaulting from liability, if any, in respect of such default.

In the event of a default by one or more Selling Stockholders as referred to in this Section 11, each of the U.S. Representatives, the Company and the non-defaulting Selling Stockholders shall have the right to postpone the Closing Time or the relevant Date of Delivery for a period not exceeding seven days in order to effect any required change in the Registration Statement or U.S. Prospectus or in any other documents or arrangements.

SECTION 12. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the U.S. Representatives at North Tower, World Financial Center, New York, New York 10281-1201,

attention of Ms. Scott Haggard; notices to the Company shall be directed to it at 75 West Center Street, Provo, Utah 84601, attention of Mr. M. Truman Hunt; and notices to the Selling Stockholders shall be directed to 75 West Center Street, Provo, Utah 84601, attention of Mr. Keith R. Halls.

SECTION 13. PARTIES. This Agreement shall inure to the benefit of and be binding upon the U.S. Underwriters, the Company, and the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters, the Company, and the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the U.S. Underwriters, the Company, and the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. -- EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 15. EFFECT OF HEADINGS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorney-in-Fact for the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the U.S. Underwriters, the Company and the Selling Stockholders in accordance with its terms.

Very truly yours,
NU SKIN ASIA PACIFIC, INC.

By _____
Title:

SELLING STOCKHOLDERS

By _____
As Attorney-in-Fact acting on behalf
of the Selling Stockholders named in
Schedule B hereto

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
MORGAN STANLEY DEAN WITTER
NOMURA SECURITIES INTERNATIONAL, INC.
PAINWEBBER INCORPORATED

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By _____
Authorized Signatory

For themselves and as U.S. Representatives of the other U.S. Underwriters named
in Schedule A hereto.

TABLE OF CONTENTS

SECTION 1. Representations and Warranties. 3

(a) Representations and Warranties by the Company 3

 (i) Compliance with Registration Requirements. 3

 (ii) Independent Accountants 4

 (iii) Financial Statements 4

 (iv) No Material Adverse Change in Business. 5

 (v) Good Standing of the Company 5

 (vi) Good Standing of Subsidiaries 6

 (vii) Capitalization 6

 (viii) Authorization of Agreement. 6

 (ix) Authorization and Description of Securities 6

 (x) Absence of Defaults and Conflicts. 7

 (xi) Absence of Labor Dispute. 7

 (xii) Absence of Proceedings 7

 (xiii) Accuracy of Exhibits. 8

 (xiv) Possession of Intellectual Property. 8

 (xv) Absence of Further Requirements 8

 (xvi) Possession of Licenses and Permits 8

 (xvii) Title to Property 9

 (xviii) Environmental Laws 9

 (xix) Registration Rights. 10

 (xx) Certain Transactions. 10

 (xxi) Operating Agreements 10

(b) Representations and Warranties by the Selling Stockholders. 10

 (i) Accurate Disclosure. 11

 (ii) Authorization of Agreements 11

 (iii) Good and Marketable Title. 11

 (iv) Due Execution of Power of Attorney and Custody Agreement. 11

 (v) Absence of Manipulation. 12

 (vi) Absence of Further Requirements 12

 (vii) Restriction on Sale of Securities. 12

 (viii) Certificates Suitable for Transfer. 13

 (ix) No Association with NASD. 13

(c) Officer's Certificates. 13

SECTION 2 Sale and Delivery to the U.S. Underwriters; Closing. 14

 (a) Initial Securities 14

 (b) U.S. Option Securities 17

(c)	Payment . . . . .	.14
(d)	Denominations; Registration . . . . .	.15
SECTION 3	Covenants of the Company . . . . .	.15
(a)	Compliance with Securities Regulations and Commission Requests . . . . .	.15
(b)	Filing of Amendments . . . . .	.16
(c)	Delivery of Registration Statements . . . . .	.16
(d)	Delivery of Prospectuses . . . . .	.16
(e)	Continued Compliance with Securities Laws . . . . .	.17
(f)	Rule 158 . . . . .	.17
(g)	Listing . . . . .	.17
(h)	Restriction on Sale of Securities . . . . .	.17
(i)	Reporting Requirements . . . . .	.18
SECTION 4	Payment of Expenses . . . . .	.18
(a)	Expenses . . . . .	.18
(b)	Termination of Agreement . . . . .	.18
(c)	Allocation of Expenses . . . . .	.19
SECTION 5	Conditions of U.S. Underwriters' Obligations . . . . .	.19
(a)	Effectiveness of Registration Statement . . . . .	.19
(b)	Opinion of Counsel for Company . . . . .	.19
(c)	Opinion of General Counsel to the Company . . . . .	.19
(d)	Opinion of Counsel for the Selling Stockholders . . . . .	.19
(e)	Opinion of Japanese Counsel for the Company . . . . .	.20
(f)	Opinion of Hong Kong Counsel for the Company . . . . .	.20
(g)	Opinion of Taiwanese Counsel for the Company . . . . .	.20
(h)	Opinion of South Korean Counsel for the Company . . . . .	.20
(i)	Opinion of Thai Counsel for the Company . . . . .	.20
(j)	Opinion of Counsel for U.S. Underwriters . . . . .	.21
(k)	Officers' Certificate . . . . .	.21
(l)	Certificate of Selling Stockholders . . . . .	.21
(m)	Accountant's Comfort Letter . . . . .	.21
(n)	Bring-down Comfort Letter . . . . .	.22
(o)	Approval of Listing . . . . .	.22
(p)	No Objection . . . . .	.22
(q)	Lock-up Agreements . . . . .	.22
(r)	Purchase of Initial International Securities . . . . .	.22

(s)	Conditions to Purchase of the U.S. Option Securities . . . . .	.22
(i)	Officers' Certificate . . . . .	.22
(ii)	Certificate of Selling Stockholders . . . . .	.23
(iii)	Opinion of Counsel for Company. . . . .	.23
(iv)	Opinion of General Counsel for the Company. . . . .	.23
(v)	Opinion of Counsel for the Selling Stockholders . . . . .	.23
(vi)	Opinion of Japanese Counsel for Company . . . . .	.23
(vii)	Opinion of Hong Kong Counsel for the Company. . . . .	.23
(viii)	Opinion of Taiwanese Counsel for the Company. . . . .	.23
(ix)	Opinion of South Korean Counsel for the Company . . . . .	.23
(x)	Opinion of Thai Counsel for the Company. . . . .	.24
(xi)	Opinion of Counsel for the U.S. Underwriters. . . . .	.24
(xii)	Bring-down Comfort Letter . . . . .	.24
(t)	Additional Documents . . . . .	.24
(u)	Termination of Agreement . . . . .	.24
SECTION 6	Indemnification. . . . .	.25
(a)	Indemnification of U.S. Underwriters . . . . .	.25
(b)	Indemnification of Company, Directors and Officers and Selling Stockholders . . . . .	.27
(c)	Actions against Parties; Notification. . . . .	.28
(d)	Settlement without Consent if Failure to Reimburse . . . . .	.28
(e)	Other Agreements with Respect to Indemnification . . . . .	.29
SECTION 7.	Contribution . . . . .	.29
SECTION 8.	Representations, Warranties and Agreements to Survive Delivery . . . . .	.30
SECTION 9.	Termination of Agreement . . . . .	.31
(a)	Termination; General . . . . .	.31
(b)	Liabilities. . . . .	.31
SECTION 10.	Default by One or More of the U.S. Underwriters. . . . .	.31
SECTION 11.	Default by one or more of the Selling Stockholders or the Company. . . . .	.32
SECTION 12.	Notices. . . . .	.32
SECTION 13.	Parties. . . . .	.33

SECTION 14. GOVERNING LAW AND TIME.33
SECTION 15. Effect of Headings.33

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
[Letterhead]

June 4, 1997

Nu Skin Asia Pacific, Inc.
75 West Center Street
Provo, Utah 84601

Re: Nu Skin Asia Pacific, Inc. -- Registration Statement
On Form S-1 (the "Registration Statement")

Ladies and Gentlemen:

We have acted as counsel to Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Company"), in connection with the registration and public offering of up to 7,000,000 (1,050,000 including the over-allotment) presently issued and outstanding shares of the Company's Class A Common Stock, par value \$0.001 per share (the "Class A Common Stock") by stockholders listed as selling stockholders in the Registration Statement (the "Selling Stockholders"). Capitalized terms not otherwise defined herein have the meaning set forth in the Registration Statement.

We have examined such corporate records, certificates and other documents as we have considered necessary for the purposes hereof. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the authenticity of the originals of such copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid records, certificates and documents.

Based on the foregoing, we are of the opinion that the shares of the Class A Common Stock to be sold by the Selling Stockholders as described in the Registration Statement are duly authorized by the Company, validly issued, fully paid and nonassessable.

Our opinion set forth herein is limited in all cases to matters arising under the Delaware General Corporation Law. We consent to the use of this opinion as an Exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus that is part of the Registration Statement. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ LeBoeuf, Lamb, Greene & MacRae, L.L.P.

NSI - NSK
LICENSING AND SALES AGREEMENT

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS 2-6

1.1 Agreement 2

1.2 Bonus Payments 2

1.3 Commission Expense 2

1.4 Copyrights 2

1.5 Distributor Lists 3

1.6 Downline Organization 3

1.7 Independent Distribution Network 3

1.8 Introductory Kits 3

1.9 Know-How 3

1.10 Licensed Property 4

1.11 NSI Independent Distributor 4

1.12 NON-RESIDENT INDEPENDENT DISTRIBUTOR 4

1.13 Products 4

1.14 Proprietary Information 4,5

1.15 Resident NSI Independent Distributor 5

1.16 Sales and Compensation Plan 5,6

1.17 Sales Aids 6

1.18 Territory 6

ARTICLE II
GRANT OF EXCLUSIVE LICENSE 6-10

2.1 Grant of EXCLUSIVE License 6

2.2 Term of License Granted 6

2.3 NSI's Interest in Licensed Property 7

2.4 Recitals of Value of Licensed Property 7,8

2.5 MAINTENANCE AND FURTHER DEVELOPMENT 8

2.6 LICENSE FEE 8

2.7 COMPUTATION AND PAYMENT TERMS 8,9

2.8 Warranty of Title; DEFENSE OF CLAIMS 10

2.9 Modifications 10

2.10 RESERVATION OF RIGHTS TO TERMINATE LICENSE 10

ARTICLE III
OBLIGATIONS OF THE PARTIES UNDER THE AGREEMENT 11-15
3.1 OBLIGATIONS, RIGHTS, AND DUTIES. 11,12,13,14,15

ARTICLE IV
INTRODUCTORY KIT SALES. 15-16
4.1 Agreement to Purchase Introductory Kits. 15
4.2 Pricing. 15,16
4.3 Payment Method 16
4.4 Quantities 16
4.5 Quality of Introductory Kits 16
4.6 INSURANCE. 16,17
4.7 Merchantability. 17

ARTICLE V
GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS 17-18
5.1 Obligations of NSK 17
5.2 Compliance with Laws 17
5.3 Protection of NSI. 18
5.4 COMPLIANCE OF NSK OPERATION. 18

ARTICLE VI
TERM AND TERMINATION 18-20
6.1 Term 18
6.2 BREACH AND NOTICE. 18,19
6.3 EXAMPLES OF MATERIAL BREACH. 19
6.4 OBLIGATION OF NSK UPON TERMINATION 20
6.5 DAMAGES NOT ALLOWABLE. 20
6.6 Survival of Obligations. 20
6.7 WAIVER 20
6.8 Reversion of Rights. 20,21

ARTICLE VII
RELATIONSHIP OF NSI AND NSK. 21-22
7.1 NSI AND INDEPENDENT CONTRACTS. 21
7.2 NSI CONDUCTS NO BUSINESS ACTIVITY IN TERRITORY 21
7.3 CROSS DEFAULT. 21,22
7.4 ACCEPTANCE OF REGISTRATION AGREEMENT FROM NSI INDEPENDENT
DISTRIBUTORS 22

ARTICLE VIII
CONFIDENTIALITY. 22-23
8.1 OBLIGATION TO KEEP CONFIDENTIAL. 22
8.2 SURVIVAL OF OBLIGATION 22,23
8.3 INFORMATION THE EXCLUSIVE PROPERTY OF NSI. 23

ARTICLE IX
ASSIGNMENT 24

TABLE OF CONTENTS
-CONTINUED-

ARTICLE X FORCE MAJEURE. . . . .	.24
ARTICLE XI GOVERNMENTAL APPROVAL.	24-25
ARTICLE XII RECORDING. . . . .	.25
ARTICLE XIII GOVERNING LAW AND DISPUTE RESOLUTION	25-26
ARTICLE XIV APPLICABILITY OF POST-EFFECTIVE LAW.	26
ARTICLE XV WAIVER AND DELAY	26-27
ARTICLE XVI NOTICES.	27
ARTICLE XVII INTEGRATED CONTRACT.	28
ARTICLE XVIII MODIFICATION AND AMENDMENTS.	28
ARTICLE XIX NONDISCLOSURE.	28
ARTICLE XX SEVERABILITY	28,29
ARTICLE XXI COUNTERPARTS AND HEADINGS.	29

LICENSING AND SALES AGREEMENT

THIS LICENSING AND SALES AGREEMENT (hereinafter the "Agreement") is made and entered into pursuant to the terms of Article VI , between Nu Skin International, Inc. a corporation organized and existing under the laws of the State of Utah, U.S.A., (hereinafter referred to as "NSI") and Nu Skin Korea, a corporation duly organized and existing under the laws of the country of Korea, (hereinafter "NSK"). Hereinafter, NSI and NSK shall collectively be referred to as the "Parties".

W I T N E S S E T H

WHEREAS, NSI is engaged in the design, production and marketing of products and related sales aids for distribution in the international markets of the Asia-Pacific Region through a network of independent distributors; and,

WHEREAS, NSK desires to act as the exclusive wholesale distributor of NSI products in Korea, having entered a separate written Wholesale Distribution Agreement with Nu Skin Hong Kong, respecting such Products and Sales Aids in the Asia-Pacific region; and,

WHEREAS, NSI and NSK mutually recognize that such Product and Sales Aid sales will be maximized through NSK's use of NSI's Independent Distribution Network; and,

WHEREAS, NSI desires to further develop and enlarge its Independent Distribution Network in the country of South Korea with the assistance of NSK, for their mutual benefit, in accordance with the terms and conditions hereinafter provided;

NOW THEREFORE, in consideration of the premises, the mutual promises, covenants, and warranties hereinafter set forth and for other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

For the purposes of this Agreement, the following words and terms shall have the meaning assigned to them in this Article I:

1.1 "AGREEMENT" shall mean this Licensing and Sales Agreement.

1.2 "BONUS PAYMENTS" shall mean all monetary obligations due to NSI Independent Distributors accrued under the terms of the point accumulation system of the Sales and Compensation Plan portion of their contract with NSI.

1.3 "COMMISSION EXPENSE" shall mean all direct expenses incurred by the affiliated Nu Skin companies in operating, managing, and executing the Sales Compensation Plan. These expenses include, but are not limited to amounts paid to Distributors as Bonus Payments as well as operational costs associated with the calculation and generation of monthly payments.

1.4 "COPYRIGHTS" shall mean any and all protectible software, programs, databases, photographs, transparencies, literature and other written material, source codes and applications owned by NSI or which NSI has a right to use, license or sub-license, relating directly or indirectly to the scope of this Agreement.

1.5 "DISTRIBUTOR LISTS" shall mean any and all individual and accumulated name, address, identification number, sponsor name and/or similar lists of all present or future NSI Independent Distributors expressed in any medium.

1.6 "DOWNLINE ORGANIZATION" shall mean, with respect to any NSI Independent Distributor, the sub-distributor or group of sub-distributors directly or indirectly introduced to NSI by such NSI Independent Distributor(s) who have likewise entered a contractual relationship to receive compensation under the terms of the point accumulation system of the Sales and Compensation Plan.

1.7 "INDEPENDENT DISTRIBUTION NETWORK" shall mean the network of all NSI Independent Distributors having a contractual relationship with NSI to act as a retail distributor.

1.8 "INTRODUCTORY KIT" shall mean those materials developed, maintained and approved by NSI and intended for distribution and/or sale in conjunction with the execution of the distribution contract to NSI Independent Distributors in the Territory explaining the Nu Skin independent business opportunity, the contractual relationship with NSI, and the marketing support programs for the Territory.

1.9 "KNOW-HOW" shall mean any information, including, without limitation, any commercial or business information, lists, marketing methods, marketing surveys, processes, specifications, quality control reports, drawings, photographs, or any other information owned by NSI, whether or not considered proprietary, relating to the Independent Distribution Network, the Distributor Lists, and the Sales and Compensation Plan.

1.10 "LICENSED PROPERTY" shall mean the Independent Distribution Network, the Distributor Lists, the Sales and Compensation Plan, the Copyrights, the Proprietary Information, and the associated Know-How.

1.11 "NSI INDEPENDENT DISTRIBUTOR" shall mean a person or business entity authorized by contract with NSI to distribute, as an independent contractor, the Products and Sales Aids purchased from an authorized Nu Skin distribution center in accordance with the terms of such distribution contract.

1.12 "NON-RESIDENT INDEPENDENT DISTRIBUTOR" shall mean any NSI Independent Distributor whose resident country as shown on the records of NSI is outside the Territory, but whose Downline Organization is comprised of one or more Resident Independent Distributors, having a right under contract to earn Bonus Payments completed based at least partly on the sale of Products and Sales Aids within the Territory.

1.13 "PRODUCTS" shall mean those goods which carry a point value within the Sales Compensation Plan, including without limitation, cosmetics, nutritional products, dietary supplements, vitamins, over-the-counter drugs, quasi-drugs, drugs and pharmaceutical products designed and produced for the Territory's market purchased at wholesale by NSI Independent Distributors.

1.14 "PROPRIETARY INFORMATION" shall mean, without limitation, all information other than information in published form or expressly designated by either party in writing as non-confidential, which is directly or indirectly disclosed to the other party, regardless of the form in which it is disclosed, relating in any way to the following property owned by the Parties or which the Parties have been licensed to use or sub-license: (1) proprietary technical

information related to the Licensed Property and the Introductory Kit; (2) information respecting actual or potential customers or customer contacts and customer sales strategies, names, addresses, phone numbers, identification numbers, database information and its organization, unique business methods; (3) market studies, penetration data, customers, product formulas, contracts, copyrights, computer programs, applications, technical data, licensed technology, patents, inventions, procedures, methods, designs, strategies, plans, liabilities, assets, cost revenues, sales costs, production costs, raw material sources and other market information; (4) other sales and marketing plans, programs and strategies; (5) trade secrets, Know-How, designs and proprietary commercial and technical information, methods, practices, procedures, processes, formulae with respect to manufacturing, assembly, design or processing products subject to this Agreement and any component, part or manufacture thereof; (7) profits, organization, employees, agents, distributors, suppliers, trademarks, trade names and services; (8) other business and commercial practices in general relating directly or indirectly to the foregoing; and, (9) computer disks or other records or documents, originals or copies, containing in whole or in part any of the foregoing.

1.15 "RESIDENT NSI INDEPENDENT DISTRIBUTOR" shall mean any NSI Independent Distributor whose country of residence as shown on the records of NSI is in the Territory and who may have a Downline Organization comprised of Resident and Non-Resident NSI Independent Distributors.

1.16 "SALES AND COMPENSATION PLAN" shall mean the method and expression designed and employed by NSI defining the relationship between NSI and a NSI Independent Distributor, respecting the distribution of the Products and compensation derived therefrom.

All such compensation paid in the AP Region, including the Territory, shall be calculated in accordance with a common point accumulation system associated with Product volumes purchased for sale by NSI Independent Distributors and taking into account different currency rates of exchange in each of the countries in the AP Region, including the Territory.

1.17 "SALES AIDS" shall mean the materials, in whatever form and/or design produced for the Territory to assist in the marketing of the Products in the Territory.

1.18 "TERRITORY" shall mean the entire area and jurisdiction comprising the country of the Republic of Korea. The Territory defined in this Agreement may be modified from time to time by written amendment, signed by the Parties.

ARTICLE II,

GRANT OF EXCLUSIVE LICENSE

2.1 GRANT OF EXCLUSIVE LICENSE. NSI hereby grants to NSK an exclusive license and right to use in the Territory the Licensed Property and transfers to NSK the financial and other obligations that are received by Resident NSI Distributors under the Distributor Contract. NSI grants to NSK the right and duty to prevent all third parties from using, reproducing, distributing, and disclosing to the public the Licensed Property. NSK does not have the right to grant sub-licenses, convey or otherwise share the Licensed Property.

2.2 TERM OF LICENSE GRANTED. The licenses granted in this Agreement shall remain in full force until the termination of this Agreement in accordance with its terms.

2.3 NSI'S INTEREST IN LICENSED PROPERTY. NSI hereby retains legal title to the Licensed Property for all purposes, including but not limited to the bringing or defending of any legal action in the Territory which it deems reasonable to protect its rights therein. NSK agrees to assist NSI in any manner to protect NSI's rights in the Licensed Property which NSI may reasonably request.

2.3(a) NSK shall review regularly the Territory's market for unauthorized users of the Licensed Property and unfair competition affecting the status, channels of commerce or scope of the Licensed Property, and agrees to inform NSI promptly of any possible infringement of, or unfair competition affecting, the Licensed Property which comes to the attention of NSK. In the event NSI decides to take affirmative action against any such possible infringement or act of unfair competition, NSK agrees to assist NSI, in whatever manner NSI may direct, and at the expense of NSI. NSI claims, in its sole discretion, the exclusive right to direct any such action. Recovery of damages resulting from any such action shall be solely for the accounts of NSI. Should either party hereto be involved as a defendant in any judicial action under the laws of the Territory respecting the subject matter of this Agreement, the Parties hereto agree to cooperate in such defense with each other to the greatest possible extent. Any liability of NSK in such action shall be limited to the amount of the license fees due to NSI from NSK under the terms of this Agreement.

2.4 RECITALS OF VALUE OF LICENSED PROPERTY. NSK recognizes and agrees that NSI has expended considerable time, effort and resources to develop and maintain the Licensed Property. NSK further agrees it will derive a considerable benefit from its use of the

Licensed Property in the Territory and from NSI's efforts and expenditures respecting the Licensed Property.

2.5 MAINTENANCE OF LICENSED PROPERTY. NSI shall use its best efforts and take all reasonable steps consistent with its existing internal policies and procedures and with this Agreement to maintain and further develop the Licensed Property in the Territory. In no event shall this clause be construed to require NSI to establish or maintain a branch office, subsidiary corporation or fixed place of business or similar permanent establishment in the Territory. NSK shall, from its own accounts and at its own expense, likewise use its best efforts to maintain the Licensed Property in the Territory as it deems appropriate.

2.6 LICENSE FEE. Starting and beginning on the date when NSK commences operations in the Territory and thereafter, and as compensation for the exclusive licenses granted pursuant to the terms of this Agreement, NSK shall pay to NSI a license fee equal to four percent (4%) of its sales, net of VAT, of Products and Sales Aids and other items (exclusive of Introductory Kits and goods sold on consignment) sold to NSI Independent Distributors during the entire term of this Agreement.

2.7 COMPUTATION AND PAYMENT TERMS. The computation and payment terms of amounts to be paid pursuant to this Agreement shall be as follows:

2.7(a) NSK shall give to NSI, at the end of each month, a written statement of the sales volume achieved during such period in the Territory. This statement shall be certified as to its correctness by NSK's principal financial officer and dispatched to NSI within twenty (20) days following the close of each such period.

2.7(b) The license fee shall be due and payable as of the last day of each fiscal quarter based upon sales through the last day of said quarter.

2.7(c) For purposes of computing the license fee, Products and Sales Aids shall be considered sold when recognized for accounting purposes as a sale by NSK.

2.7(d) The Parties agree that the license fee shall remain competitive within the market and shall be determined by negotiated arm's length standards.

2.7(e) NSK shall keep complete and accurate records of its activities under this Agreement which shall be open to inspection by authorized representatives of NSI at any reasonable time. NSI may also appoint a CPA or equivalent of NSI's choice in the Territory for the purpose of auditing NSK's relevant records.

2.7(f) Payments made by NSK to NSI under this Agreement shall be payable in Korean Won or the U.S. Dollar equivalent as of the date of the settlement. Payments shall be made either directly to NSI in immediately available funds by wire transfer to Zion's First National Bank, Provo Branch, Provo, Utah, U.S.A. -- account number 32927931, or by such other means of payment designated by NSI.

2.7(g) Without limiting any of NSI's other rights and remedies under to this Agreement, amounts outstanding under the terms of this Agreement not paid within 60 days from the date due and payable, and as set forth in the payment provisions herein, shall bear interest at the U.S. prime interest rate (as reported in the Wall Street Journal) plus two percent (2%) for the full period outstanding. Whether or not interest charges are actually levied is at the discretion of NSI.

2.8 WARRANTY OF TITLE; DEFENSE OF CLAIMS. NSI hereby warrants and represents that it is the sole and exclusive owner of the Licensed Property; that all NSI Proprietary Information related to the Licensed Property is confidential, giving NSI a competitive advantage in its worldwide markets; that to the best of its knowledge and information no claim exists or has been made contesting the ownership and title of said Licensed Property; and that NSK's use of the Licensed Property in the Territory will not constitute an infringement of the right of any third party. NSI shall indemnify and hold harmless NSK for any loss, damage or claim, including reasonable attorneys' fees, arising from or relating to any breach of the warranties contained herein. NSI reserves the right to control the defense of any litigation including, without limitation, the right to choose counsel and to settle and dispose of any such litigation or claim as it deems appropriate in its sole discretion.

2.9 MODIFICATIONS. NSI hereby retains legal title to the Licensed Property and any modifications, enhancements and improvements to any of the Licensed Property used or made by NSK pursuant to this Agreement; NSK will promptly disclose to NSI all such modifications, enhancements and improvements.

2.10 RESERVATION OF RIGHTS TO TERMINATE LICENSE. NSI hereby retains the right to terminate any of the licenses granted as part of the Licensed Property or this Agreement for any of the reasons set forth in this Agreement.

ARTICLE III

OBLIGATIONS OF THE PARTIES UNDER THE AGREEMENT

3.1 OBLIGATIONS, RIGHTS, AND DUTIES. For the consideration received and outlined within the Agreement, the Parties agree that the obligations of each of them are as outlined below.

3.1(a) NSI agrees to maintain and provide support for the Sales and Compensation Plan within the Territory. This includes the efforts made in further developing and maintaining the Sales and Compensation Plan and providing the necessary support to NSK to implement the details of the Sales and Compensation Plan as directed by NSI. This includes, but is not limited to, the following:

(1) to maintain an adequate computer system, including necessary hardware, software, data links, computer peripherals, printers, etc. to properly fulfill NSI's obligations under the Sales and Compensation Plan;

(2) to provide the necessary training and support to NSK relating to NSI's Independent Distributors, including information relating to training methods, motivational strategies, convention and event planning, technical policies and procedure knowledge, etc;

(3) to receive and use NSK's sales information to compute the correct and appropriate payments to NSI's Independent

Distributors in the Territory, such that the Independent Distributors within the Territory are fully compensated under and in accordance with the Sales and Compensation Plan;

(4) to receive NSK's information relating to wrongful conduct and behavior of NSI's Independent Distributors in the Territory and to act in a responsible manner to help insure the reputation of NSI;

(5) to maintain a record of the contracts entered into by NSI Independent Distributors and provide such information to NSK, as reasonably requested;

(6) to maintain appropriate insurance coverage such that the assets and financial stability of NSI is insured; and

(7) to perform any other function or provide the necessary support to comply with the intended provisions of this article such that NSI uses its best efforts to maintain an Independent Distribution Network within the Territory.

3.1(b) NSK agrees to timely perform the following functions and responsibilities in fulfilling its duties and obligations under this Agreement and recognizes that performance of such activities are in NSK's best interests in furthering its development in the Territory:

(1) to maintain, at its sole cost and expense, such facilities and other places of business within the Territory necessary to effect

the purposes and intentions of this Agreement and to bear all costs and expenses it incurs in the negotiation, memorialization, execution and performance of all leases, rentals, equipment, salaries, taxes, licenses, insurance, permits, telephone, telegraph, promotional, advertising, travel, accounting, legal and such similar expenses, relating to the business of NSK under the terms and conditions of this Agreement, unless otherwise agreed in writing by the Parties;

(2) to manage its business affairs in such a manner that the reputation of the company is not damaged;

(3) to sell and/or distribute Introductory Kits to potential NSI Independent Distributors in accordance with all applicable laws and industry standards (See Article IV);

(4) to collect, but not accept, distribution contracts, (Distributor Agreements*) from potential NSI Independent Distributors and forward these contracts to NSI in a timely fashion, such that the agreements are accepted or rejected by NSI in the United States of America;

(5) to train and lend assistance to NSI Independent Distributors in the Territory;

(6) to only accept Registration Agreements* from those distributors previously or currently registered with NSI as Independent Distributors.

(7) to transmit to NSI necessary information regarding sales to NSI Independent Distributors, such that NSI can fulfill its obligations to the Independent Distributors under the Sales and Compensation Plan;

(8) to maintain appropriate insurance coverage such that the assets and financial stability of NSK are insured; and

(9) to satisfy the local commission obligations owed to Resident NSI Independent Distributors on a monthly basis, in accordance with and pursuant to the Sales Compensation Plan. Pursuant to Article 2.1 of this Agreement NSK agrees to pay all obligations which it assumes hereunder and to which Resident NSI Independent Distributors are entitled under the Distribution Contract in a timely and efficient manner;

(10) to pay NSI a consulting fee based upon the efforts expended by NSI in training, motivating, instructing and supervising Resident NSI Independent Distributors during the initial start-up

*A person may become an Independent Distributor in Korea only if he/she signs a Registration Agreement with NSK and is registered with the NSK as a Multilevel Seller under the DDSA.

phase of NSK's operations in Korea. NSK agrees and understands that such consulting is to its benefit in generating initial revenue in Korea. NSI agrees to invoice NSK on a monthly basis for this service. NSI further agrees that its method of computing the consulting fee will be on a cost basis;

(11) to monitor and supervise the activities of NSI Independent Distributors within the Territory, enforcing the Distributor Contract and their own Registration Agreement (see * on page 13) to ensure compliance with the Distributor Contract and Policies and Procedures, suggesting and helping pursue any necessary action against NSI Distributors who violate any of the terms and conditions of the Distributor Contract, including the Policies and Procedures, or any other rules and regulations of NSI or NSK;

(12) to perform any other function or provide support such that NSI can fully perform its obligations to the Independent Distributors under the Sales and Compensation Plan and Distributor Contract.

ARTICLE IV

INTRODUCTORY KIT SALES

4.1 AGREEMENT TO PURCHASE INTRODUCTORY KITS. The Parties acknowledge that pursuant to this Agreement NSK is being granted an exclusive license to use the Licensed Property, including the Independent Distribution Network, in the Territory. NSK agrees to use its best efforts in furthering the development of the Independent Distribution Network in the Territory by purchasing from NSI and selling or otherwise distributing Introductory Kits to potential NSI Independent Distributors in the Territory. Alternatively, the Parties agree that NSK shall have the right to locally produce Introductory Kits under the Nu Skin registered trademarks. Such production of Introductory Kits will be governed by a separate Trademark-Tradename Licensing Agreement entered into by NSK and NSI.

4.2 PRICING. In order to determine and set the prices to be paid by NSK to NSI for Introductory Kits purchased or locally produced hereunder, the Parties shall use those factors and circumstances relevant to prevailing market conditions and shall negotiate in good faith. However, under no circumstance is the sale price of the Introductory Kits to exceed 10% of NSI's manufacture and/or purchase price.

4.3 PAYMENT METHOD. NSK shall pay the commercial invoices for Introductory Kits sold or locally produced under this Agreement in immediately available funds by wire transfer to a bank or banks designated by NSI, or by such other means of payment agreed to by NSI. All purchases of Introductory Kits will be payable in Korean Won with any exchange rate risks relating to currency fluctuation being borne by NSI. Without limiting any of NSI's other rights and remedies pursuant to provisions to this Agreement, amounts not paid within the time set forth in the payment provisions herein shall be subject to an interest charge equal to two percent (2%) over the prime rate (as reported in the Wall Street Journal) for the entire

period such amounts remain unpaid. Whether or not interest charges are actually levied is at the discretion of NSI.

4.4 QUANTITIES. NSK agrees to purchase or locally produce sufficient quantities of the Introductory Kit to fill orders, in a timely fashion, received from potential NSI Independent Distributors in the Territory.

4.5 QUALITY OF INTRODUCTORY KITS. NSI shall use its best efforts to maintain and augment the quality, image and value of the Introductory Kits such that Introductory Kits sold or locally produced in the Territory are consistent with the quality of those sold in other Nu Skin markets.

4.6 INSURANCE. NSI covenants it will maintain a current insurance policy covering product and business claims found in the Introductory Kit in an amount consistent with normal and commercially reasonable standards in the industry. NSI agrees to provide NSK with any certificate of insurance which NSK may reasonably request.

4.7 MERCHANTABILITY. NSI warrants that Introductory Kits sold or locally produced to NSK pursuant to this Agreement will be merchantable and of sufficient quality for sales within Korea. If NSK determines that certain Introductory Kits supplied under this Agreement are not merchantable, a claim for a refund of the price paid can be made with 45 days from the day the Introductory Kits are received in Korea. NSI agrees to refund, or credit the account of NSK, for the purchase price of such non-merchantable Introductory Kits.

ARTICLE V
GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS

5.1 OBLIGATIONS OF NSK. NSK agrees it will obtain any governmental approval required in the Territory to enable this Agreement to become effective or to enable any payment pursuant to the provisions of this Agreement to be made, or any other obligation hereunder to be observed or performed. NSK agrees to keep NSI informed of its progress in obtaining all such governmental approvals.

5.2 COMPLIANCE WITH LAWS. NSK shall comply with and make all necessary filings and notifications under all applicable laws, regulations and ordinances in the Territory, including without limitation, any requirement for the registration or recording of this Agreement, if necessary, with any applicable or responsible governmental entities and authorities.

5.3 PROTECTION OF NSI. NSK shall refrain from any action that will cause NSI to be in violation of any applicable law, regulation, or ordinance of the Territory, the United States, or elsewhere, or of any international convention, bilateral, or multilateral treaty to which the Territory or the United States is a signatory, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Control Laws, and the U.S. Anti-Boycott Laws.

5.4 COMPLIANCE OF NSK OPERATION. NSK shall capitalize itself adequately and maintain its operations on a financially sound basis and in compliance with all applicable laws, regulations and ordinances covering the operation of such business entities in the Territory.

ARTICLE VI
TERM AND TERMINATION

6.1 TERM. This Agreement shall be effective as of the date of NSK's commencement of operations in the Territory. The initial term of the Agreement shall expire in five (5) years from the date of said commencement, but shall automatically be renewed for successive five (5) year terms unless either party gives three (3) months written notice to the other of its intent to terminate this Agreement prior to the expiration of the term then in effect.

6.2 BREACH AND NOTICE. In case either party breaches any provision of this Agreement, the other party may immediately give notice of its intention to terminate within ninety (90) days thereof and, unless the breaching party notifies the other of the cure of such breach within said period, this Agreement shall automatically terminate at the expiration of the ninety day period. Should any such breach consist of the failure of NSK to pay any amount owing to NSI hereunder, the period of notice of intention to terminate this Agreement shall be thirty (30) days.

6.3 EXAMPLES OF MATERIAL BREACH. Either party may terminate this Agreement upon the occurrence of any of the following:

6.3(a) the filing by or against the other party hereto of a petition in bankruptcy or judicial or administrative declaration of insolvency, the dissolution, liquidation, or re-organization of, and the loss of clearinghouse privileges by, one party as circumstances justifying termination of the Licensing and Sales Agreement by the other party, by giving notice to the latter party of

its intention to so terminate. NSI may terminate this Agreement by giving notice thereof to NSK in the event of government expropriation of any of the assets of NSI or NSK which relate to the activities of NSK contemplated by this Agreement;

6.3(b) if NSK causes or allows a judgment to be entered against it or causes or allows a lien, security interest or other encumbrance to be placed upon its assets or the assets of NSI;

6.3(c) if NSK undergoes a substantial change in ownership or control. Upon any of the foregoing events, such termination shall be immediately effective.

6.3(d) if either party violates a term, condition, covenant, warranty or promise under this Agreement.

6.4 OBLIGATION OF NSK UPON TERMINATION. Upon termination of this Agreement by either Party, NSK agrees to the following;

6.4(a) to furnish NSI with a current list of all potential NSI Independent Distributors from whom NSK has collected distribution contracts or to whom NSK has sold Products or Sales Aids;

6.4(b) to dispose of any unused Introductory Kits or related materials in accordance with the instructions of NSI;

6.5 DAMAGES NOT ALLOWABLE. Should this Agreement be terminated for any reason, NSK shall not be able to claim from NSI any damages or compensation for losses or expenses incurred, or for lost profits.

6.6 SURVIVAL OF OBLIGATIONS. Termination of this Agreement shall not affect (1) any of the obligations, covenants and warranties made hereunder, including the payment of any fees or other costs which have accrued as of the date of termination; (2) any obligation which from the provision of this Agreement is intended to survive the termination of said Agreement.

6.7 WAIVER. Any waiver by either party of a breach of any term or condition of this Agreement shall not be considered as a waiver of a subsequent breach of the Agreement or any other term or condition thereof.

6.8 REVERSION OF RIGHTS. Upon termination of this Agreement, all rights and licenses herein granted to NSK shall immediately cease and shall revert to NSI, and NSK shall not represent to any third party that it has any right to use, assign, convey or otherwise transfer the Licensed Property.

ARTICLE VII
RELATIONSHIP OF NSI AND NSK

7.1 NSK AND INDEPENDENT CONTRACTS. The relationship of NSK and NSI shall be and at all times remain, respectively, that of independent contractor and contracting party. Nothing contained or implied in this Agreement shall be construed to constitute NSK as the legal representative or agent of NSI or to constitute or construe the parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking.

NSK shall not conclude any contract or agreement or make any commitment, representation or warranty that binds NSI or otherwise act in the name of or on behalf of NSI.

7.2 NSI CONDUCTS NO BUSINESS ACTIVITY IN TERRITORY. Nothing contained in this Agreement shall be construed to require NSI to establish or maintain a branch office, subsidiary corporation or fixed place of business or similar permanent establishment in the Territory. In fact, the Parties understand and agree that NSI will refrain from conducting business or engaging in any activity in the Territory which could be construed, under the applicable laws and tax regulations, as doing or conducting business in the Territory.

7.3 CROSS DEFAULT. The Parties agree that in the event NSI terminates, or imposes disciplinary action on any NSI distributor due to the Distributor's violation of the Distributor Agreement between NSI and the Distributor, that such termination or disciplinary action shall provide sufficient grounds for NSK to terminate or impose disciplinary action on the Distributor with respect to the Registration Agreement with NSK. Likewise, the Parties agree that in the event NSK terminates, or imposes disciplinary action on any NSK distributor due to the Distributor's violation of the Registration Agreement between NSK and the Distributor, that such termination or disciplinary action shall provide sufficient grounds for NSI to terminate or impose disciplinary action on the Distributor with respect to the Distributor Agreement with NSI.

7.4 ACCEPTANCE OF REGISTRATION AGREEMENT FROM NSI INDEPENDENT DISTRIBUTORS. The Parties understand and agree that NSK will accept no Registration Agreement with any person or entity unless that person or entity has first signed a Distributor

Agreement with NSI and been accepted as a distributor of NSI under the sole discretion and judgement of NSI.

ARTICLE VIII
CONFIDENTIALITY

8.1 OBLIGATION TO KEEP CONFIDENTIAL. NSI and NSK agree to hold confidential any Proprietary Information disclosed by the other party or otherwise obtained, directly or indirectly. NSK agrees that should it have access to any Proprietary Information during the course of its relationship with NSI, it will make no changes to or copies of such materials without the prior, express written consent of NSI's authorized representative. Neither party will use, divulge, or disclose any Proprietary Information, directly or indirectly, for its own benefit or for the benefit of any third party.

8.2 SURVIVAL OF OBLIGATION. NSI and NSK agree to keep confidential the terms of this Article until such time as: (a) either party releases the other party, in writing, from its terms; or (b) the Proprietary Information becomes known to the general public by means other than through a breach of this Agreement; provided that the obligations of the Parties shall cease only with respect to that portion of Proprietary Information identified in a written release or generally known to the public. The confidentiality provisions of this Article shall survive termination of this Agreement.

8.3 INFORMATION THE EXCLUSIVE PROPERTY OF NSI. NSK acknowledges that all NSI Proprietary Information communicated to NSK by NSI, relating to the Licensed

Property, shall be deemed to be secret and confidential in character and, as between the Parties, will be considered the exclusive property of NSI licensed to NSK for use in the Territory. Such information is provided to NSK solely for the benefit of NSK and to enable NSK to perform its obligations and rights pursuant to the provisions of this Agreement. Such information is not available to third parties, except to the extent that it may be absolutely necessary to achieve the purposes of this Agreement. NSK further agrees to take all reasonable measures to prevent its employees or agents from divulging such information in any manner that may be contrary to the interest of NSI or NSK.

ARTICLE IX
ASSIGNMENT

This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that NSK may not assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of NSI through its authorized representative (which consent may be granted or withheld by NSI in its sole discretion). Any such attempted assignment shall be void and unenforceable.

ARTICLE X
FORCE MAJEURE

Neither party shall be in default under the terms of this Agreement by reason of its delay in the performance of or failure to perform any of its obligations hereunder if such delay or failure is caused by strikes, acts of God, the public enemy, riots, incendiaries, interference by military authorities, compliance with governmental laws, rules and regulations, delays in transit or delivery, inability to secure necessary governmental priorities for materials or any fault beyond its control or without its fault or negligence.

ARTICLE XI
GOVERNMENTAL APPROVAL

Should government approval, filing or recording of this Agreement be required or as provided in Article V herein, this Agreement shall not become effective until the consent of

said proper governmental authorities in the Territory has been obtained. If such approval or filing is required by law, NSK is responsible, pursuant to the provisions of Article V, for filing and notification of this Agreement with appropriate authorities in the Territory.

ARTICLE XII
RECORDING

NSI, in its sole discretion, shall have the right to record this Agreement or proof thereof, or to enter NSK as a registered user in the Territory. NSK agrees to cooperate, as reasonably requested by NSI, in arranging for such recordings or entries, or in bearing or canceling such recordings or entries in the event of amendments to or termination of this Agreement for any reason.

ARTICLE XIII
GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, United States of America, applicable to contracts executed and performed therein. The Parties agree that the forum for any arbitration, action, suit or proceeding arising out of this Agreement shall be in the State of Utah. Each Party hereby submits to the jurisdiction in the State of Utah for resolution of any conflict or litigation arising under or purporting to interpret this Agreement. Any dispute arising out of this Agreement or any of the responsibilities and obligations therein shall be resolved through arbitration administered

by the American Arbitration Association in accordance with its Commercial Arbitration Rules as supplemented by the Procedures for International Commercial Arbitration. The arbitration proceedings shall be conducted in Salt Lake City, Utah, U.S.A. The findings and conclusions of said arbitration shall be binding upon the Parties, their heirs, successors, assigns and beneficiaries.

ARTICLE XIV
APPLICABILITY OF POST-EFFECTIVE LAW

To the extent that the Vienna Convention on the International Sale of Goods (the "Vienna Convention"), the United Nations Convention on contracts for the International Sale of Goods (the "UN Convention") or some other such similar law, treaty or act becomes effective during the term of this Agreement, the Parties agree that neither the Vienna Convention, UN Convention nor any such similar law, treaty or act shall be applicable to this Agreement or the transactions contemplated hereunder.

ARTICLE XV
WAIVER AND DELAY

No waiver by either party of any breach or default in performance by the other party, and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement

with respect to any subsequent breach thereof or a waiver by either party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

ARTICLE XVI
NOTICES

All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered by hand, or if communicated by facsimile, cable or similar electronic means to the facsimile number or cable identification number as previously provided by each party to the other, at the time that receipt thereof has been confirmed by return electronic communication or signal that the message has been received, or if mailed, ten (10) days after dispatch by registered airmail or courier, postage prepaid, from any post office addressed as follows:

If to NSK: Nu Skin Korea
 Dabong Tower
 890-12 Daechi-dong
 Kangnam-ku, Seoul
 Korea
 Facsimile No.: 82-2-552-9728

If to NSI: Nu Skin International, Inc.
 75 West Center Street,
 Provo, Utah 84601, U.S.A.
 Facsimile No.: (801) 345-3899
 Attn.: Senior International Legal Counsel

Either party may change its facsimile number, cable identification number or address by a notice given to the other party in the manner set forth above.

ARTICLE XVII
INTEGRATED CONTRACT

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous negotiations, representations, agreements and understandings (both oral and written) of the Parties.

ARTICLE XVIII
MODIFICATION AND AMENDMENTS

No supplement, modification or amendment of this Agreement shall be binding unless it is in writing and executed by the Parties.

ARTICLE XIX
NONDISCLOSURE

The Parties agree that, except to the extent required by law, neither party will disclose the existence of any of the terms of this Agreement to any person that is not an affiliate of such party or an employee or agent of such party or affiliate without the prior written consent of the other party.

ARTICLE XX
SEVERABILITY

To the extent that any provision of this Agreement is (or in the opinion of counsel mutually acceptable to both Parties would be) prohibited, judicially invalidated or otherwise

rendered unenforceable in any jurisdiction, such provision shall be deemed ineffective only to the extent of such prohibition, invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of this Agreement will not invalidate or render unenforceable any other provision of this Agreement, nor will such provision of this Agreement be invalidated or rendered unenforceable in any other jurisdiction.

ARTICLE XXI
COUNTERPARTS AND HEADINGS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All headings and captions are inserted for convenience of reference only and shall not affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in the United States of America by their respective duly authorized representatives as of the day and year first-above written.

NU SKIN INTERNATIONAL, INC.

NU SKIN KOREA, LTD.

BY: /s/ BLAKE M. RONEY

BY: /s/ SUNG-TAE HAN

BLAKE M. RONEY
PRESIDENT AND CEO

SUNG-TAE HAN
REPRESENTATIVE DIRECTOR

NSHK - NSK
WHOLESALE DISTRIBUTION
AGREEMENT

TABLE OF CONTENTS

ARTICLE I		
DEFINITIONS.		2-5
1.1	AP Region	2
1.2	Agreement	2
1.3	Asia-Pacific Distribution Center.	2
1.4	Exclusive Regional Distributor.	2
1.5	NSI Independent Distributor	3
1.6	NSHK Information.	3
1.7	NSI	3
1.8	NSI Proprietary Information	4
1.9	Products.	4
1.10	Sales Aids.	4
1.11	Territory	4
1.12	Trademarks.	5
ARTICLE II		
APPOINTMENT AS EXCLUSIVE WHOLESAL	DISTRIBUTOR.	5-7
2.1	Scope	5
2.2	Sub-distributors.	5,6
2.3	NSHK Sales in the Territory	6
2.4	Sales Outside the Territory	6,7
2.5	AP Region Orders and Inquiries.	7
ARTICLE III		
GOVERNMENT APPROVALS AND REGISTRATIONS		7-8
ARTICLE IV		
OBLIGATIONS OF NSK AS EXCLUSIVE WHOLESAL	DISTRIBUTOR	
IN THE TERRITORY		8-13
4.1	Introduction.	8
4.2	Marketing and Distribution.	8,9
4.3	Promotion	9
4.4	NSK Operations.	9,10
4.5	NSHK Management Plan.	10
4.6	NSK Actions	11
4.7	NSK Claims and Representations.	11,12
4.8	Government Approvals, Laws and Regulations.	12
4.9	Manufacture Or Distribution of Competitive Goods.	12
4.10	Customer Support.	13
ARTICLE V		
PURCHASE, SALE AND DELIVERY OF PRODUCTS AND SALES AIDS		13-15
5.1	Agreement to Purchase	13,14
5.2	Product Shipment.	14

TABLE OF CONTENTS
-CONTINUED-

5.3	Payment Due Date.	14
5.4	Passage of Title and Risk of Loss	14
5.5	Inspection.	15
5.6	Inventory Obsolescence.	15
ARTICLE VI		
PRODUCT AND SALES AIDS PURCHASE PRICE		
AND TERMS OF PAYMENT 16		
6.1	Pricing	16
6.2	Payment method.	16
ARTICLE VII		
OBLIGATIONS OF NSHK AS SUPPLIER OF PRODUCTS		
AND SALES AIDS 16-18		
7.1	Product Quality	16,17
7.2	Warranty.	17
7.3	Insurance	17
7.4	Delivery.	18
7.5	U.S. and Hong Kong Export Regulations	18
7.6	Export Expenses	18
ARTICLE VIII		
MANAGEMENT AND SUPPORT 18		
ARTICLE IX		
PAYMENT DISPUTES AND RESOLUTION. 19		
ARTICLE X		
COMPETING PRODUCTS 19-20		
ARTICLE XI		
NATURE OF RELATIONSHIP 20		
ARTICLE XII		
TERM 20		
ARTICLE XIII		
TERMINATION. 21-22		
ARTICLE XIV		
EFFECT OF TERMINATION. 22-23		

TABLE OF CONTENTS
-CONTINUED-

ARTICLE XV CONFIDENTIALITY.	23-24
ARTICLE XVI ASSIGNMENT	24
ARTICLE XVII INDEMNIFICATION AND INSURANCE.	24-25
ARTICLE XVIII NOTICES	25-26
ARTICLE XIX WAIVER AND DELAY	26
ARTICLE XX FORCE MAJEURE.	26-27
ARTICLE XXI GOVERNING LAW AND DISPUTE RESOLUTION	27
ARTICLE XXII APPLICABILITY OF POST-EFFECTIVE LAW.	28
ARTICLE XXIII INTEGRATED CONTRACT.	28
ARTICLE XXIV MODIFICATIONS AND AMENDMENTS	28
ARTICLE XXV NONDISCLOSURE.	29
ARTICLE XXVI SEVERABILITY	29
ARTICLE XXVII COUNTERPARTS AND HEADINGS.	29-30

WHOLESALE DISTRIBUTION AGREEMENT

THIS WHOLESALE DISTRIBUTION AGREEMENT (hereinafter the "Agreement") is made and entered into pursuant to the terms of Article XII, by and between Nu Skin Hong Kong, Inc., a corporation duly organized and existing under the laws of the State of Utah, U.S.A., (hereinafter "NSHK") and Nu Skin Korea, Ltd. a corporation duly organized and existing under the laws of the country of Korea, (hereinafter "NSK"). Hereinafter, NSHK and NSK collectively shall be referred to as the "Parties".

W I T N E S S E T H

WHEREAS, NSHK is the Exclusive Regional Distributor of certain Products and Sales Aids and desires to increase the sales of such Products and Sales Aids in the Asia/Pacific region through the appointment of territorial distributors in various jurisdictions comprising such Region; and,

WHEREAS, NSK has represented that it possesses the necessary expertise and marketing organization and personnel for the promotion, sales, and customer service relating to such Products and Sales Aids in the territory of Korea; and,

WHEREAS, NSHK is willing to appoint NSK and NSK is willing to accept such appointment as exclusive wholesale distributor of NSHK's Products and Sales Aids in the Territory, as hereinafter defined;

NOW THEREFORE, in consideration of the premises, the mutual promises and covenants hereinafter set forth and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement the following words, terms, and phrases shall have the meaning assigned to them in this Article I, unless the context otherwise requires or the parties otherwise agree within the terms of this Agreement:

1.1 "AP REGION" shall mean the Asia-Pacific region, including, among other countries and without limitation, the Territory.

1.2 "AGREEMENT" shall mean this Wholesale Distribution Agreement between NSHK and NSK.

1.3 "ASIA-PACIFIC DISTRIBUTION CENTER" shall mean a place of business independently maintained by a business entity carrying on a trade or business in a country located in the AP Region and authorized by NSHK to act as an exclusive wholesale distributor of Products and Sales Aids within that country. For the purposes of this Agreement that business entity shall be NSK and the country shall be the Territory.

1.4 "EXCLUSIVE REGIONAL DISTRIBUTOR" shall mean NSHK, as NSHK internally and for itself, performs or designates others, under contract, to perform functions and services in the AP Region to accomplish the distribution of Products and Sales Aids to Asia-Pacific Distribution Centers and to perform certain contractual functions in the AP Region.

1.5 "NSI INDEPENDENT DISTRIBUTOR" shall mean a person or business entity authorized by contract with NSI to distribute, as an independent contractor, the Products and Sales Aids purchased from an authorized Asia Pacific Distribution Center in accordance with the terms of such distribution contract. For the purposes of this Agreement, NSK shall be the only authorized Asia Pacific Distribution Center in the Territory.

1.6 "NSHK INFORMATION" shall mean, without limitation, all information other than information in published form or expressly designated by NSHK in writing as non-confidential, which is directly or indirectly disclosed to NSK or reflected for public notice on Products or Sales Aids provided pursuant to this Agreement, regardless of the form in which it is disclosed, relating in any way to the following property owned by NSHK or which NSHK has been licensed to use or sub-license: NSHK's market, market studies, penetration data, customers, Products, Sales Aids, contracts, copyrights, computer programs, applications, technical data, licensed technology, patents, inventions, procedures, methods, designs, strategies, plans, liabilities, assets, cost revenues, sales costs, production costs, raw material sources or costs, profits, organization, employees, agents, distributors, suppliers, know-how, Trademarks, trade names or other business and commercial practices in general, relating directly or indirectly to the foregoing.

1.7 "NSI" shall mean Nu Skin International, Inc., a U.S. corporation, duly authorized and existing under the laws of the State of Utah, U.S.A. Nothing contained in this Agreement shall be construed in a manner which may imply that NSI has created a permanent business establishment in the Territory or in any jurisdiction in the AP Region.

1.8 "NSI PROPRIETARY INFORMATION" shall mean, without limitation: (1) proprietary technical information related to the NSI Distribution Network, the Sales and Compensation

Plan, the copyrights, the Products and their formulations; (2) the identity of or other pertinent information with respect to the actual or potential customers or customer contacts and customer sales strategies; (3) market studies, penetration data and other market information; (4) other sales and marketing plans, programs and strategies; (5) sales costs, production costs and other financial data; (6) Trademarks, trade secrets, know-how, designs and proprietary commercial and technical information, methods, practices, procedures, processes, manufacturing formulae, assembly, design or processing Products subject to this agreement and any component, part or manufacturer thereof; and, (7) sources of supplies and raw materials for Products, components and services.

1.9 "PRODUCTS" shall mean those goods, including without limitation, cosmetics, nutritional products, dietary supplements, vitamins, over-the-counter drugs, quasi-drugs, drugs and pharmaceutical products designed and produced for the Territory's market purchased at wholesale by NSI Independent Distributors.

1.10 "SALES AIDS" shall mean the materials, in whatever form, designed, approved and produced for the Territory to assist in the marketing of the Products in the Territory.

1.11 "TERRITORY" shall mean the entire area and jurisdiction comprising the country of the Republic of Korea. The Territory defined in this Agreement may be modified from time to time by written amendment, signed by the Parties.

1.12 "TRADEMARKS" shall mean those words, symbols, devices, logos, trade names and company names or a combination thereof used in relation to all Products and Sales Aids covered by the existing or eventual registrations thereof in the Territory.

ARTICLE II

APPOINTMENT AS EXCLUSIVE WHOLESALE DISTRIBUTOR

2.1 SCOPE. NSHK hereby appoints and authorizes NSK as NSHK's exclusive wholesale distributor in the Territory during the term of this Agreement, with the right to sell and distribute, at wholesale, Products and Sales Aids in the Territory, under the Products' names, logos, and Trademarks, subject to all terms and conditions of this Agreement. NSK hereby accepts such appointment and authorization and agrees to use its best lawful efforts to sell such Products and Sales Aids throughout the Territory. In addition, the Parties undertake to perform their respective obligations as set forth in this Agreement.

2.2 SUB-DISTRIBUTORS. NSK shall not, without the prior written approval of NSHK, appoint sub-distributors or agents to promote or distribute Products or Sales Aids in any portion of the Territory or outside the Territory. Further, notwithstanding any such appointments or NSHK's approval thereof, NSK shall at all times remain fully liable for the performance of its sub-distributors and/or agents and NSK hereby agrees to indemnify and hold harmless NSHK from all damages, losses, cost or expenses arising in any manner from any act or omission on the part of its sub-distributors or agents.

2.2(a) NSK agrees that any wholesale distribution of Products OR Sales Aids in the Territory shall be made only pursuant to the terms and conditions of a separate written agreement entered with an NSI Independent Distributor duly authorized by agreement with NSI to sell Products and Sales Aids at retail within the Territory.

2.2(b) NSHK shall inform NSK, either for itself or through NSI, of the identity of duly authorized NSI Independent Distributors.

2.2(c) NSK shall distribute to any NSI Independent Distributor only those Products or Sales Aids specifically approved for distribution within the Territory. NSK agrees to

assume all risk and liability for claims arising out of the use of Products or Sales Aids it improperly distributes or represents in the Territory. NSK agrees to maintain current an insurance policy in an amount sufficient to cover claims arising from any such improper distribution or representations.

2.2(d) NSK, as long as it retains title, shall be solely responsible for the coordination, sale and delivery of any Products or Sales Aids taken from its inventory in the Territory and distributed to any NSI Independent Distributor in the Territory.

2.3 NSHK SALES IN THE TERRITORY. NSHK agrees not to sell Products or Sales Aids to any party within the Territory or to any party outside the Territory for delivery within the Territory, except to NSK pursuant to the terms and conditions of this Agreement, unless NSHK has received the written consent of NSK.

2.4 SALES OUTSIDE THE TERRITORY. NSK agrees that it will not sell Products or Sales Aids outside the Territory. NSK shall not promote or solicit customers for Product or Sales Aids sales outside the Territory. NSK shall not establish any office outside the Territory

through which orders are solicited or any depot in which inventories of NSHK Products or Sales Aids are stored without NSHK's written consent.

2.5 AP REGION ORDERS AND INQUIRIES. The Parties agree that from time to time inquiries and orders concerning the Territory will arise. If NSHK receives any order or inquiry concerning the sale of Products or Sales Aids in the Territory, NSHK agrees to give notice of such inquiry or order to NSK, such notice to include the name and address of the person making the order or inquiry as well as any other relevant details regarding such order or inquiry that NSK shall reasonably request. If NSK receives any order or inquiry concerning the sale of Products or Sales Aids in the country or territory of any Asia-Pacific Distribution Center in the AP Region, NSK agrees to give notice of such inquiry or order to such Asia-Pacific Distribution Center, such notice to include the name and address of the person making the order or inquiry, as well as any other relevant details regarding such order or inquiry that such Asia-Pacific Distribution Center shall reasonably request.

ARTICLE III

GOVERNMENT APPROVALS AND REGISTRATIONS

NSK agrees its will obtain any governmental approval required in the Territory to enable this Agreement to become effective or to enable any payment pursuant to the provisions of this Agreement to be made; it will further obtain, at its sole expense, all governmental approvals and registrations required for importation of the Products into the Territory; and, in addition it will obtain any other governmental approvals or registrations to fulfill all other

obligations hereunder to be observed or performed. NSK agrees to keep NSHK informed of the progress in obtaining all such governmental approvals.

ARTICLE IV

OBLIGATIONS OF NSK AS EXCLUSIVE WHOLESAL DISTRIBUTOR IN THE TERRITORY

4.1 INTRODUCTION. NSK agrees it will fulfill all of its obligations set forth below.

4.2 MARKETING AND DISTRIBUTION. NSK shall have the following obligations with respect to marketing and distribution of the Products and Sales Aids:

4.2(a) To use its best efforts to further the promotion, marketing, sales and other distribution of the Products and Sales Aids in the Territory.

4.2(b) To maintain, or caused to be maintained, an adequate and balanced inventory of Products, Sales Aids, supplies and necessary materials to promote, market, sell and distribute the Products and Sales Aids in the Territory.

4.2(c) To respond promptly to all inquiries by sub-distributors, NSI Independent Distributors and customers, including complaints. To process all orders and effect timely shipments of Products and Sales Aids within the Territory.

4.2(d) To diligently investigate all leads with potential customers referred to it by NSHK.

4.2(e) To permit NSHK to visit NSK and its sub-distributors or customers and to visit NSK's place of business and inspect its inventories, service records, financial records and other relevant documents.

4.2(f) To maintain, or contract to maintain, adequate personnel, distribution and laboratory facilities dedicated on a full-time or part-time basis to the quality control and sale of Products, in compliance with all laws, ordinances and regulations of the Territory.

4.2(g) To provide, at the request of NSHK, a comprehensive three-year business plan in the form and detail requested by NSHK and to update such business plan at least each year or at more frequent intervals if required by NSHK.

4.2(h) To provide, at the request of NSHK, reports of its activities and sales respecting the Products and Sales Aids in the Territory in a form and in such detail and time period as NSHK may reasonably require.

4.3 PROMOTION. NSK shall diligently undertake to promote the Products and Sales Aids in the Territory in a manner consistent with the judgment, policies and regional sales strategies of NSHK for the promotion of such Products and Sales Aids. NSHK shall furnish NSK with copies of NSHK's brochures, videos, Product literature, Sales Aids, etc. in the English language for use by NSK in preparing its own promotional materials for distribution in the Territory. All such materials prepared by NSK shall be in compliance with applicable laws, regulations, and ordinances of the Territory, and, will be reviewed and approved in the promotion of the Products by NSHK. All expenses incurred by NSK with respect to creating such promotional materials and promoting the Products and Sales Aids shall be borne by NSK.

4.4 NSK OPERATIONS. NSK agrees to maintain, at its sole cost and expense, such facilities and other places of business within the Territory necessary to effect the purposes and intentions of this Agreement. NSK further agrees to bear all costs and expenses it incurs in the negotiation, memorialization, execution and performance of all leases, rentals, equipment,

salaries, taxes, licenses, insurance, permits, telephone, telegraph, promotional, advertising, travel, accounting and legal expenses, relating to the business of NSK under the terms and conditions of this Agreement, unless otherwise agreed in writing by the Parties.

4.4(a) In the event, NSK and NSHK obtain mutually beneficial professional services including, without limitation, accounting or legal services, prior to execution of or during the term of this Agreement, NSK and NSHK each agree to pay the portion of any such expenses incurred in an amount commensurate with the value each derived from such services. Any dispute respecting expenses for such services shall be resolved in accordance with the provisions of Article IX.

4.4(b) To the extent NSK is required to apply for or maintain import licenses for the import of the Products or Sales Aids into the Territory, NSK shall pay all costs and expenses related to obtaining such import licenses.

4.4(c) NSK shall be liable to pay all customs duties, excise taxes, similar governmental charges and levies, and any other charges or expenses related to any Products or Sales Aids it imports into the Territory for subsequent distribution.

4.5 NSHK MANAGEMENT PLAN. In order to allow NSHK to design and carry out necessary and reasonable managerial planning for its legitimate business purposes in the AP Region, NSK shall, in accordance with the schedule required by NSHK, advise NSHK of the distribution prices at which NSK plans to sell Products or Sales Aids to NSK and NSI Independent Distributors in the Territory prior to effecting such sales.

4.6 NSK ACTIONS. NSK shall not in any manner represent itself as an agent of NSHK or NSI in the Territory or in any jurisdiction within the AP Region and neither NSHK nor NSI shall not be responsible for acts, omissions or defaults of NSK or of NSK's

employees, officers, agents, independent contractors or representatives, and neither NSK or its employees, officers, agents or representatives shall create or assume any obligation on behalf of NSHK or NSI for any purpose whatsoever, whether as agent or otherwise.

4.6(a) NSK agrees it has no authority, actual or apparent, to represent, act for or in any way bind NSHK or NSI in any manner whatsoever, in any jurisdiction.

4.6(b) NSK shall not in any manner represent its offices to be a branch office or other fixed place of business of NSHK or NSI.

4.7 NSK CLAIMS AND REPRESENTATIONS. NSK shall not make any promises, representations, warranties or guarantees respecting the Products, Sales Aids or the Sales and Compensation Plan, except that NSK may represent that the Products are safe for use when used as intended. NSK may make such other claims and representations as are found in literature distributed or approved by NSHK at the relevant time with statements intended for use in the Territory.

4.7(a) NSK shall not at any time make any explicit or implicit medical or drug claim for or concerning any of the Products intended for distribution in the Territory or AP Region as cosmetic products, nor may NSK specifically recommend or prescribe any of such Products as suitable for any specific ailment or condition. To do so would wrongly imply that any Product so represented is a drug rather than a cosmetic. No cosmetic Product is, or is represented to be a drug. NSK shall at all times comply with all applicable laws, regulations and ordinances within the Territory.

4.8 GOVERNMENT APPROVALS, LAWS AND REGULATIONS. In addition to the foregoing, NSK shall:

4.8(a) Comply with and make all necessary filings and notifications under all applicable laws, regulations and ordinances in the Territory and elsewhere, including, without limitation, any requirement for the registration or recording of this Agreement with any responsible governmental entities and authorities;

4.8(b) Refrain from any action that will cause NSHK to be in violation of any applicable law, regulation, or ordinance of any jurisdiction in the AP Region or the United States or elsewhere or any international convention or bilateral or multilateral treaty to which any jurisdiction in the AP Region or the United States is a signatory, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Control Laws, and the U.S. Anti-Boycott laws; and,

4.8(c) Capitalize itself adequately and maintain its operations both on a financially sound basis and in compliance with all applicable laws, regulations or ordinances covering the operations of such a business entity in the Territory.

4.9 MANUFACTURE OR DISTRIBUTION OF COMPETITIVE GOODS. NSK shall not manufacture or distribute any products inside or outside the Territory which are directly or indirectly competitive with the Products during the term of this Agreement and for a period of three years after the termination of this Agreement, without the written consent of NSHK.

4.10 CUSTOMER SUPPORT. NSK agrees to cooperate with NSHK in dealing with any NSI Independent Distributor or customer complaints concerning the Products and to take any action requested by NSHK to solve such complaints. NSK also agrees to assist NSHK in arranging for any customer warranty service required by law or required pursuant to the judgment of NSHK.

ARTICLE V

PURCHASE, SALE AND DELIVERY OF PRODUCTS AND SALES AIDS

5.1 AGREEMENT TO PURCHASE. NSK shall order such quantities of Products and Sales Aids as it deems necessary to meet its sales requirements within the Territory.

5.1(a) Each order shall be in the form of a written and signed Purchase Order appearing on the official letterhead of NSK and shall be negotiated, signed, accepted and become effective in the Territory. Acceptance by NSHK shall be in writing, signed by a duly authorized representative of NSHK, and effective upon execution.

5.1(b) Each Purchase Order shall identify the Products or Sales Aids to be purchased, the country to which such Products or Sales Aids shall be distributed to ensure shipment and receipt of Products or Sales Aids which comply with such country's laws and regulation, the quantities thereof, and the shipment dates therefor.

5.1(c) NSHK agrees to accept each Purchase Order for Products or Sales Aids placed by NSK pursuant to this Article and subject to:

5.1(c)(i) The availability in NSHK's current inventory of the Product(s) or Sales Aid(s) ordered by NSK; and,

5.1(c)(ii) The inability of NSHK to perform by reason of force majeure as defined in Article XX of this Agreement.

5.2 PRODUCT SHIPMENT. NSHK shall ship all Product(s) and Sales Aids sold by NSHK to NSK hereunder to the port of Pusan or such other place NSK may designate in writing on the Purchase Order. NSHK shall transmit all commercial invoices for the Products and Sales Aids directly to NSK by registered airmail, postage prepaid, or any other method mutually acceptable to the Parties.

5.3 PAYMENT DUE DATE. NSK shall pay for each shipment of Products and Sales Aids within one hundred twenty (120) days after the date of the issuance of the commercial invoice or as the parties may decide, and NSK shall make payment for the Products and Sales Aids as provided in Article IV of this Agreement.

5.4 PASSAGE OF TITLE AND RISK OF LOSS. Title to and risk of loss for any Products or Sales Aids ordered and shipped pursuant to the terms of this Article shall remain with NSHK until their actual delivery to NSK or its designated agent at the port of Pusan or at some point in transit as the parties may agree to in writing. Shipment shall be made in a commercially reasonable manner in accordance with standards applicable in the trade and industry, paid by NSHK in accordance with the terms set forth in Article VI to a delivery point outside the customs border ("Delivered at Frontier") at the port of Pusan or such designated transshipment point. Upon delivery and thereafter, NSK is liable for any risks related to theft, destruction, or other loss attributable to the improper storage, care or negligence of NSK.

5.5 INSPECTION. Within forty-five (45) days following actual receipt of a shipment of Products or Sales Aids by NSK, NSK (or its designated agent) shall inspect the Products and Sales Aids and shall notify NSHK in writing, in accordance with Article XVIII, of any defects in such shipment of Products or Sales Aids. In the event of such notification, NSHK shall make appropriate arrangements, acceptable to NSK, to replace any such defective Products or Sales Aids at NSHK's sole cost and expense or, failing such replacement, shall, at the option of NSHK, either credit the purchase price of the defective Products or Sales Aids to NSK's account or promptly grant NSK a cash refund for such purchase price. If NSHK is not notified of any defect in a shipment of Products or Sales Aids within forty-five (45) days after

actual receipt thereof by NSK, then NSK shall be deemed to have waived its right to claim any defect in the Products or Sales Aids contained in such shipment, except for any latent or other defect not reasonably discernable upon inspection of the Products or Sales Aids under the prevailing circumstances.

5.6 INVENTORY OBSOLESCENCE. In the event and to the extent that Products or Sales Aids in the possession of NSK shall, due to the expiration of shelf life, change in formulation, change in market conditions, or other reasons not within the control of NSK, become non-saleable, NSHK agrees to credit the original purchase price of such Products or Sales Aids to NSK. The ultimate cost and method of disposal of any such Products and Sales Aids shall be the responsibility by NSHK.

ARTICLE VI

PRODUCT AND SALES AIDS PURCHASE PRICE AND TERMS OF PAYMENT

6.1 PRICING. In order to determine and set the prices to be paid by NSK to NSHK for Products and Sales Aids purchased hereunder, the Parties shall use those factors and circumstances relevant to prevailing market conditions and shall negotiate in good faith to set such prices.

6.2 PAYMENT METHOD. NSK shall pay the commercial invoices for Products and Sales Aids shipped under this Agreement in immediately available funds by wire transfer to a bank or banks designated by NSHK, or by such other means of payment agreed to by NSHK. All purchases of Products and Sales Aids will be payable in Korean Won. Without limiting any of NSHK's other rights and remedies pursuant to this Agreement, amounts not paid within the time period set forth in the payment provisions herein shall be subject to an interest charge equal to two percent (2%) over the U.S. prime rate for the entire period such amounts remain unpaid. Whether or not interest charges are actually levied is at the discretion of NSI.

ARTICLE VII

OBLIGATIONS OF NSHK AS SUPPLIER OF PRODUCTS AND SALES AIDS

7.1 PRODUCT QUALITY. NSHK shall use its best efforts to maintain and augment the quality, image and goodwill of the Products and Sales Aids and to sell to NSK for resale in the Territory only Products and Sales Aids that are consistent with the quality of Products and Sales Aids sold in the United States of America and other jurisdictions in the AP Region.

NSHK does not however, warrant or represent that the formulae or ingredients will be the same in all respects as those used in the United States or any other region or territory.

7.2 WARRANTY. NSHK warrants that the Products and Sales Aids supplied hereunder shall be merchantable under the laws and regulations of the jurisdiction in which distribution of such Product or Sales Aid is intended; that it will deliver good title thereto and that Products and Sales Aids will be delivered free from any lawful security interest or other lien or encumbrance.

7.2(a) NSHK's liability for any breach of such warranties shall not exceed in amount the price of the Products or Sales Aids in respect of which any breach is claimed. NSHK'S WARRANTY STATED HEREIN IS EXPRESSLY IN LIEU OF ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

7.2(b) NSHK neither assumes nor authorizes any person or entity to assume for it any other liability in connection with the Products or Sales Aids supplied hereunder, and there are no oral contracts or warranties collateral to or affecting this Agreement. NSHK shall not be liable to NSK or any third parties for consequential, special or incidental damages.

7.3 INSURANCE. NSHK covenants it will maintain, or cause to be maintained, a current insurance policy covering claims arising from the use of its Products in an amount consistent with normal and commercially reasonable standards in the trade. NSHK agrees to provide NSK with any certificate of insurance which NSK may reasonably request.

7.4 DELIVERY. NSHK shall promptly, in accordance with normal and commercially reasonable delivery schedules in the trade, deliver to NSK those Products or Sales Aids for which NSK places orders in accordance with Article V hereof.

7.5 U.S. AND HONG KONG EXPORT REGULATIONS. To the extent NSHK is required to obtain any United States, Hong Kong, or other export licenses to export the Products or Sales Aids to NSK in the Territory, NSHK shall pay all costs and expenses related to obtaining such export licenses.

7.6 EXPORT EXPENSES. NSHK shall be liable for all customs duties, excise taxes and similar governmental charges and levies related to the export of the Products or Sales Aids from the United States of America, Hong Kong, or any other jurisdiction. NSHK shall also be liable for reasonable freight and insurance costs and expenses related to the export of the Products and Sales Aids from the United States, Hong Kong, or any other jurisdiction and delivery of the Products and Sales Aids to NSK or its authorized agent as set forth in Article V.

ARTICLE VIII

MANAGEMENT AND SUPPORT

NSHK shall provide NSK with the management guidance and support, including but not limited to, legal, financial and distributor support. NSHK will also provide training with respect to implementation and enforcement of corporate policy and strategic planning as well as budget review; budget approvals will be made under the direction of the Board of Directors of NSK. NSK shall compensate NSHK for any such management guidance and support so provided.

ARTICLE IX

PAYMENT DISPUTES AND RESOLUTION

In the event NSHK and NSK disagree with respect to any payment described in any of the provisions of this Agreement, NSHK and NSK agree to attempt in good faith to resolve such dispute or, failing such attempt, to select a mutually acceptable, independent accountant to resolve such dispute. Such accountant's decision shall be final and binding upon the Parties. NSHK and NSK further agree that if they are unable to select a mutually acceptable, independent accountant, each of NSHK and NSK shall select an independent accountant and such independent accountants shall select a third accountant who shall resolve the dispute. The decision of the accountant selected in this manner shall be final and binding on the parties hereto. Upon resolution of the dispute, the party owing payment shall pay the full amount of the resolved payment due within sixty (60) days of such resolution. Expenses incurred in this dispute resolution procedure shall be shared equally between the Parties.

ARTICLE X

COMPETING PRODUCTS

Nothing contained herein shall restrict or prohibit NSK from acting as a distributor of non-competing products or materials besides the Products and Sales Aids, provided that such other products do not infringe upon any patent, name, Trademarks, emblems, trade name, design right, model or other commercial or industrial property right of NSHK or NSI. NSK shall not during the term of this Agreement or any time thereafter, manufacture, have manufactured, or sell copies of the Products, Sales Aids, or other products that might

reasonably be deemed under U.S. or Foreign law to be confusingly similar to the Products or Sales Aids.

ARTICLE XI

NATURE OF RELATIONSHIP

The relationship of NSK and NSHK shall be and at all times remain, respectively, that of independent contractor and contracting party. Nothing contained or implied in this Agreement shall be construed to constitute NSK as the legal representative or agent of NSHK or to constitute or construe the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking. NSK shall not conclude any contract or agreement or make any commitment, representation or warranty that binds NSHK or otherwise act in the name of or on behalf of NSHK. In fact, the Parties understand and agree that NSHK will refrain from conducting business or engaging in any activity in the Territory which could be construed, under the applicable laws and tax regulations, as carrying on or conducting business in the Territory.

ARTICLE XII

TERM

This Agreement shall be effective as of the date of NSK's commencement of operations in the Territory. The term of this Agreement shall continue unless and until terminated pursuant to Article XIII hereof.

ARTICLE XIII

TERMINATION

13.1 This Agreement may be terminated in the following circumstances and in the manner indicated:

13.1(a) upon written notice by one party to the other party at least ninety (90) days prior to the desired cancellation date; or

13.1(b) immediately or at any time thereafter by NSHK, if (i) NSK shall commence a voluntary case or any proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation, the loss of clearinghouse privileges by NSK as cause for NSHK's termination of the agreement, or similar law of any jurisdiction whether now or hereafter in effect relating to NSHK, or; (ii) there is commenced against NSK any such proceeding that remains undismissed for a period of thirty (30) days, or; (iii) NSK is adjudicated, voluntarily or involuntarily, as bankrupt or insolvent; or

13.1(c) immediately or at any time thereafter by NSHK, if NSK becomes insolvent or suffers any appointment of any custodian, trustee or the like for it or any substantial part of its assets to continue undischarged or unstayed for a period of thirty (30) days, or NSK makes a general assignment for the benefit of creditors; or

13.1(d) by either party, upon sixty (60) days' written notice and demand to cure, if the other party is in default in the performance of any material obligation under this Agreement and the default remains uncured; if the other party cures any such default within the sixty (60) day notice period, then such default shall be of no force or effect.

13.1(e) If NSK causes or allows a judgment to be entered against it or causes or allows a lien, security interest, or other encumbrance to be placed upon its assets or the assets of NSHK.

13.1(f) If NSK undergoes a substantial change in ownership or control.

13.1(g) If either party violates a term, condition, covenant, warranty or promise under this Agreement.

ARTICLE XIV

EFFECT OF TERMINATION

14.1 Upon termination of this Agreement, all rights and licenses herein granted to NSK shall cease and shall revert to NSHK and NSK shall immediately cease holding itself out to the public as exclusive wholesale distributor in the Territory or otherwise represent that it is associated in any manner with NSHK or NSI.

14.2 Upon termination of this Agreement, NSHK may either (a) deliver, and NSK shall pay for, all Products and Sales Aids ordered by NSK prior to such termination or (b) cancel, without cost or liability, the order of such Products or Sales Aids.

14.3 Upon termination of this Agreement, neither party shall be released from its obligations to pay monies due or to become due to the other party or to complete any unfulfilled obligations under this Agreement, and each party shall immediately pay, perform and discharge all debts, obligations and liabilities hereunder. Upon termination of this Agreement for any reason, neither party shall be liable or obligated to the other party with respect to any payments, future profits, exemplary, special or consequential damages,

indemnifications or other compensation regarding such termination, irrespective of whether such obligations or liabilities may be contemplated in the law of the Territory or elsewhere, and, except as otherwise provided by applicable law, each party hereby waives and relinquishes any rights, pursuant to law or otherwise, to any such payments, indemnifications or compensation. All remedies of a party, whether contained herein or provided by law or in equity, shall be cumulative and not alternative.

14.4 The provisions of this Article XIV, as well as any other provisions that by their terms so provide, shall survive termination of this Agreement and continue in full force and effect thereafter.

ARTICLE XV

CONFIDENTIALITY

15.1 NSHK and NSK agree to hold confidential any proprietary information disclosed by the other party or otherwise obtained directly or indirectly. NSK agrees that should it have access to any proprietary information during the course of its relationship with NSHK, it will make no changes to or copies of such materials without the prior, express written consent of NSHK's authorized representative. Neither party will use, divulge, or disclose any proprietary information, directly or indirectly, for its own benefit or for the benefit of any third party.

15.2 NSHK and NSK agree to keep confidential the terms of this Article until such time as: (a) either party releases the other party, in writing, from its terms; or (b) the proprietary information becomes known to the general public by means other than through a breach of this Agreement; provided that the obligations of the parties shall cease only with

respect to that portion of proprietary information identified in a written release or generally known to the public. The confidentiality provisions of this Article shall survive termination of this Agreement. NSK further agrees to take all reasonable measures to prevent its employees or agents from divulging such information in any manner that may be contrary to the interests of NSI, NSHK or NSK.

ARTICLE XVI

ASSIGNMENT

This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that NSK may not assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of NSHK's authorized representative (which consent may be granted or withheld by NSHK in its sole discretion). Any such attempted assignment shall be void and unenforceable.

ARTICLE XVII

INDEMNIFICATION AND INSURANCE

17.1 NSHK agrees during and after the term of this Agreement to indemnify and hold harmless NSK from liability, loss, cost or damage which NSK may incur, including reasonable attorney's fees, as a result of claims, demands or judgments, of any kind or nature, by anyone whomsoever, arising out of an alleged or actual defect in the design, manufacture or content of the Products or Sales Aids. NSK agrees to provide NSHK with prompt notice in writing of any claim or demand arising out of any alleged or actual defect in the design,

manufacture or content of the Products or Sales Aids of which NSHK has actual knowledge. NSK shall cooperate with NSHK in the defense of any such action.

17.2 At all times during and following the term of this Agreement, NSK shall maintain insurance with one or more reputable insurers reasonable in coverage and amount in direct proportion and corresponding to the business to be conducted by NSK pursuant to this Agreement.

ARTICLE XVIII

NOTICES

All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered by hand, or if communicated by facsimile, cable or similar electronic means to the facsimile number or cable identification number as previously provided by each party to the other, at the time that receipt thereof has been confirmed by return electronic communication or signal that the message has been received, or if mailed, ten (10) days after dispatch by registered airmail, postage prepaid, from any post office addressed as follows:

If to NSK: Nu Skin Korea
 Dabong Tower
 890-12 Daechi-dong
 Kangnam-ku, Seoul
 Korea
 Facsimile No.: 82-2-552-9728

If to NSHK: Nu Skin Hong Kong, Inc.
 75 West Center Street
 Provo, Utah 84601
 Facsimile No.: (801) 345-3899

Either party may change its facsimile number, cable identification number or address by a notice given to the other party in the manner set forth above.

ARTICLE XIX

WAIVER AND DELAY

No waiver by either party of any breach or default in performance by the other party, and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by either party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

ARTICLE XX

FORCE MAJEURE

The Parties shall not be responsible for failure to perform hereunder due to force majeure, which shall include, but not be limited to: fires, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortage thereof, acts of God or of the public enemy, war or civil disturbances, any existing or future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of a party. If an event of

force majeure should occur, the affected party shall promptly give notice thereof to the other party and such affected party shall use its reasonable best efforts to cure or correct any such event of force majeure.

ARTICLE XXI

GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be wholly performed within such State. The Parties agree that the forum for any arbitration, action, suit or proceeding arising out of this Agreement shall be in the State of Utah, and each party to submits to the jurisdiction of the State of Utah for resolution of any conflict or litigation arising under or purporting to interpret this Agreement. Any dispute arising out of this Agreement or any of the responsibilities and obligations therein shall be resolved through arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules as supplemented by the Procedures for International Commercial Arbitration. The arbitration proceedings shall be conducted in Salt Lake City, Utah, U.S.A. The findings and conclusions of said arbitration shall be binding upon the Parties, their heirs, successors, assigns and beneficiaries.

ARTICLE XXII

APPLICABILITY OF POST-EFFECTIVE LAW

To the extent that the Vienna Convention on the International Sale of Goods (the "Vienna Convention") the United Nations Convention on contracts for the International Sale of Goods (the "UN Convention") or some other such similar law, treaty or act becomes effective during the term of this Agreement, the parties agree that neither the Vienna Convention, UN Convention nor any such similar law, treaty or act shall be applicable to this Agreement or the transactions contemplated hereunder.

ARTICLE XXIII

INTEGRATED CONTRACT

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous negotiations, representations, agreements and understandings (both oral and written) of the Parties.

ARTICLE XXIV

MODIFICATIONS AND AMENDMENTS

No supplement, modification or amendment of this Agreement shall be binding unless it is in writing and executed by the Parties.

ARTICLE XXV

NONDISCLOSURE

The Parties agree that, except to the extent required by law, neither party will disclose the existence of any of the terms of this Agreement to any person that is not an affiliate of such party or an employee or agent of such party or affiliate without the prior written consent of the other party.

ARTICLE XXVI

SEVERABILITY

To the extent that any provision of this Agreement is (or, in the opinion of counsel mutually acceptable to both parties, would be) prohibited, judicially invalidated or otherwise rendered unenforceable in any jurisdiction, such provision shall be deemed ineffective only to the extent of such prohibition, invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of this Agreement will not invalidate or render unenforceable any other provision of this Agreement, nor will such provision of this Agreement be invalidated or rendered unenforceable in any other jurisdiction.

ARTICLE XXVII

COUNTERPARTS AND HEADINGS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

All headings and captions are inserted for convenience of reference only and shall not affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives in the United States of America as of the day and the year first above written.

NU SKIN HONG KONG, INC.

NU SKIN KOREA, LTD.

BY: /s/ BLAKE M. RONEY

BY: /s/ SUNG-TAE HAN

BLAKE M. RONEY
PRESIDENT AND CEO

SUNG-TAE HAN
REPRESENTATIVE DIRECTOR

NSI - NSK
TRADEMARK - TRADENAME
LICENSING AGREEMENT

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS..... 2-5
1.1 Agreement..... 2
1.2 Commercial Materials..... 2
1.3 Independent Distribution Network..... 3
1.4 Introductory Kit..... 3
1.5 Know-How..... 3
1.6 Licensed Marks and Names..... 3
1.7 NSI Independent Distributor..... 3
1.8 NSI Trademark..... 3,4
1.9 NSI Tradename..... 4
1.10 Product..... 4
1.11 Proprietary Information..... 4,5
1.12 Sales Aid..... 5
1.13 Territory..... 5

ARTICLE II
GRANT OF EXCLUSIVE LICENSE..... 6-10
2.1 Grant of Exclusive License..... 6
2.2 Right to Prevent Infringement 6
2.3 Term of License Granted..... 7
2.4 NSI's Interest in Licensed Marks and Names..... 7
2.5 Recitals of Value of Licensed Marks and Names..... 8
2.6 Royalties..... 8,9
2.7 Warranty of Title; Defense of Claims..... 9,10
2.8 Modifications..... 10
2.9 Reservation of Rights to Terminate License..... 10

ARTICLE III
GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS..... 10-11
3.1 Obligations of NSK..... 10
3.2 Compliance with Laws..... 11
3.3 Protection of NSI..... 11
3.4 Compliance of NSK Operation..... 11

ARTICLE IV
TERM AND TERMINATION..... 11-13
4.1 Term..... 11
4.2 Breach and Notice..... 12
4.3 Examples of Material Breach..... 12,13
4.4 Obligation of NSK Upon Termination..... 13

TABLE OF CONTENTS
-CONTINUED-

4.5	Damages Not Allowable.....	13
4.6	Survival of Obligations.....	13
4.7	Waiver.....	13
4.8	Reservation of Rights.....	13
ARTICLE V		
	RELATIONSHIP OF NSI AND NSK.....	14
ARTICLE VI		
	CONFIDENTIALITY.....	14-15
6.1	Obligation to Keep Confidential.....	14,15
6.2	Survival of Obligation.....	15
6.3	Information the Exclusive Property of NSI	15
ARTICLE VII		
	ASSIGNMENT.....	16
ARTICLE VIII		
	FORCE MAJEURE.....	16
ARTICLE IX		
	GOVERNMENTAL APPROVAL.....	16-17
ARTICLE X		
	RECORDING.....	17
ARTICLE XI		
	GOVERNING LAW AND DISPUTE RESOLUTION.....	17-18
ARTICLE XII		
	APPLICABILITY OF POST-EFFECTIVE LAW.....	18
ARTICLE XIII		
	WAIVER AND DELAY.....	18-19
ARTICLE XIV		
	NOTICES.....	19
ARTICLE XV		
	INTEGRATED CONTRACT.....	20

TABLE OF CONTENTS
-CONTINUED-

ARTICLE XVI MODIFICATION AND AMENDMENTS.....	20
ARTICLE XVII NONDISCLOSURE.....	20
ARTICLE XVIII SEVERABILITY.....	20-21
ARTICLE XIX COUNTERPARTS AND HEADINGS.....	21

TRADEMARK \ TRADENAME LICENSING AGREEMENT

THIS TRADEMARK \ TRADENAME LICENSING AGREEMENT (hereinafter the "Agreement") is made and entered into pursuant to the terms of Article IV, between Nu Skin International, Inc. a corporation organized and existing under the laws of the State of Utah, U.S.A., (hereinafter referred to as "NSI") and Nu Skin Korea, Ltd. a corporation organized and existing under the laws of the country of Korea (hereinafter "NSK"). Hereinafter, NSI and NSK shall collectively be referred to as the "Parties".

W I T N E S S E T H

WHEREAS, NSI is engaged in the design, production and marketing of Products and related Sales Aids for distribution in the international markets of the Asia-Pacific Region through a network of independent distributors; and,

WHEREAS, NSK acts as the exclusive wholesale distributor of NSI products in Korea, having entered a separate written Wholesale Distribution Agreement with Nu Skin Hong Kong, Inc. ("NSHK"), the exclusive regional distributor of such products and sales aids in the Asia-Pacific region; and,

WHEREAS, NSK has investigated the marketing potential for Products and Commercial Materials, as defined in this Agreement, it intends to design, manufacture, produce and distribute to enhance further its competitiveness in the Territory; and,

WHEREAS, NSK has complied with the requirements of its distribution arrangement with NSHK and received appropriate consent in accordance with the provisions of the agreement

governing their relationship pertaining to distribution of NSI products and the manufacture of non-competing Products in the Territory; and,

WHEREAS, NSK desires to affix NSI Trademarks, as defined herein, to the Products and to affix NSI Tradenames, as defined herein, to Commercial Materials it envisions for the Territory thereby deriving benefit from the goodwill, value and reputation such marks and names shall lend when used to identify such Products and Commercial Materials;

NOW THEREFORE, in consideration of the premises, the mutual promises, covenants, and warranties hereinafter set forth and for other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

For the purposes of this Agreement, the following words and terms shall have the meaning assigned to them in this Article I:

1.1 "AGREEMENT" shall mean this Trademark - Tradename Licensing Agreement.

1.2 "COMMERCIAL MATERIALS" shall mean, without limitation, any business marquis, sign, letterhead, business card, pamphlet, brochure, magazine, flyer, newsletter, Sales Aid, advertisement or other associated tangible materials NSK uses in its activities with the Independent Distribution Network or the public to enhance its image and competitiveness in the Territory that NSK has not purchased from NSI or NSHK. Commercial Materials shall not, for the purposes of this Agreement, include Introductory Kits, as defined herein.

1.3 "INDEPENDENT DISTRIBUTION NETWORK" shall mean the network of all NSI Independent Distributors having a contractual relationship with NSI to act as a retail distributor.

1.4 "INTRODUCTORY KIT" shall mean those materials developed, maintained and approved by NSI and intended for sale or distribution in conjunction with the execution of the distribution contract to NSI Independent Distributors in the Territory explaining the Nu Skin independent business opportunity, the contractual relationship with NSI and the marketing support programs for the Territory.

1.5 "KNOW-HOW" shall mean any information, including, without limitation, any commercial or business information, lists, marketing methods, marketing surveys, processes, specifications, quality control reports, drawings, photographs, or any other information owned by NSI, whether or not considered proprietary, relating to the Independent Distribution Network, the Distributor Lists, and the Sales Compensation Plan.

1.6 "LICENSED MARKS AND NAMES" shall mean any NSI Trademark affixed to any Product for purposes of identifying, promoting or selling such Product in the Territory to any NSI Independent Distributor and any NSI Tradename affixed to or used in connection with any Commercial Material produced to further NSK's commercial activities in the Territory.

1.7 "NSI INDEPENDENT DISTRIBUTOR" shall mean a person or business entity authorized by contract with NSI to distribute, as an independent contractor, the Products and Sales Aids purchased from an authorized Asia Pacific Distribution Center in accordance with the terms of such distribution contract.

1.8 "NSI TRADEMARK" shall mean any "mark" or "device" or combination thereof defined under the laws of the Territory or the U.S., for which NSI has, as the owner, existing

registrations, pending applications or a bona fide intent to use in the Territory(1). An up-to-date list of NSI Trademarks, including examples of each, is appended hereto as Schedule I, and NSI agrees to keep NSK currently informed of additions and amendments thereto.

1.9 "NSI TRADENAME" shall mean any "mark," "name," or "device" or combination thereof similar in appearance to any NSI Trademark of which NSI is the owner, registered or otherwise, that is commercially valuable and has increased in value through NSI's increased goodwill, reputation and competitiveness.

1.10 "PRODUCT" shall mean any of the following bearing an NSI Trademark: any product, including, without limitation, cosmetics, nutritional products, dietary supplements, vitamins, over-the-counter drugs, quasi-drugs, drugs and pharmaceutical products, and other products which NSK designs, manufactures, produces and/or distributes in the Territory, that NSK has not purchased from NSI or NSHK. Product shall not, for the purposes of this Agreement, include Introductory Kits, as defined herein.

1.11 "PROPRIETARY INFORMATION" shall mean, without limitation, all information other than information in published form or expressly designated by either party in writing as non-confidential, which is directly or indirectly disclosed to the other party, regardless of the form in which it is disclosed, relating in any way to the following property owned by the Parties or which the Parties have been licensed to use or sub-license: (1) proprietary technical information related

(1) Thus, even if a particular mark may not be registered in respect of all relevant goods in the Territory, use of the mark will be deemed to fall within the scope of the license grant. This entitles the licensor to exercise quality control with regard to the manufacture, use, and sale of the goods in relation to which each mark is used, and also enables such use, as a matter of law to enure to the benefit of the licensor.

to the Licensed Marks and Names and the Introductory Kit; (2) information respecting actual or potential customers or customer contacts and customer sales strategies, names, addresses, phone numbers, identification numbers, database information and its organization, unique business methods; (3) market studies, penetration data, customers, products, contracts, copyrights, computer programs, applications, technical data, licensed technology, patents, inventions, procedures, methods, designs, strategies, plans, liabilities, assets, cost revenues, sales costs, production costs, raw material sources and other market information; (4) other sales and marketing plans, programs and strategies; (5) trade secrets, Know-How, designs and proprietary commercial and technical information, methods, practices, procedures, processes, formulae with respect to manufacturing, assembly, design or processing products subject to this Agreement and any component, part or manufacture thereof; (7) profits, organization, employees, agents, distributors, suppliers, Trademarks, Tradenames and services; (8) other business and commercial practices in general relating directly or indirectly to the foregoing; (9) computer disks or other records or documents, originals or copies, containing in whole or in part any of the foregoing; and, (10) tax information, returns and other financial information.

1.12 "SALES AID" shall mean the materials, in whatever form and/or design produced for the Territory to assist in the marketing of products or the Nu Skin independent business opportunity in the Territory.

1.13 "TERRITORY" shall mean the entire area and jurisdiction comprising the country of the Republic of Korea. The Territory defined in this Agreement may be modified from time to time by written amendment, signed by the Parties.

ARTICLE II

GRANT OF EXCLUSIVE LICENSE

2.1 GRANT OF EXCLUSIVE LICENSE. NSI hereby grants to NSK an exclusive license and right to use in the Territory the Licensed Marks and Names, provided that:

a) The quality and performance of all Products and Commercial Materials bearing the Licensed Marks and Names shall always be in accordance with the standards, specifications and instructions approved by NSI; and,

b) NSI shall have the right to inspect the premises of NSK and those of any of NSK's subcontractors at which Product(s) are being manufactured, at reasonable times, and also to receive samples of such Product(s), in accordance with a reasonable schedule to be established promptly between NSI and NSK; and,

c) NSK agrees to correct, as promptly as possible, any faults in the Product(s) and/or manufacturing thereof brought to NSK's attention by NSI or otherwise; and,

d) NSK agrees to submit to NSI for prior approval, which approval will not be unreasonably withheld, labels, packaging, advertising and promotional materials, in relation to which any of the NSI Trademarks are proposed to be used, including the marking legends intended to be used in relation thereto.

2.2 NSI grants to NSK the right to prevent all third parties from infringing NSI's and NSK's rights in the Licensed Marks and Names. NSK does not have the right to grant sub-licenses for the Licensed Marks and Names in the Territory.

2.3 TERM OF LICENSE GRANTED. The licenses granted in this Agreement shall remain in full force until the termination of this Agreement in accordance with its terms.

2.4 NSI'S INTEREST IN LICENSED MARKS AND NAMES. NSI hereby retains legal title to the Licensed Marks and Names for all purposes, including but not limited to, the bringing or defending of any legal action in the Territory which it deems reasonable to protect its rights therein. NSK agrees to assist NSI in any manner to protect NSI's rights in the Licensed Marks and Names which NSI may reasonably request, including the delegation of its interests in any legal proceeding to bring or defend such legal action in its own name.

2.4(a) NSK shall review regularly the Territory's market for unauthorized users of the Licensed Marks and Names and unfair competition affecting the status, channels of commerce or scope of the Licensed Marks and Names, and agrees to inform NSI promptly of any possible infringement of, or unfair competition affecting, the Licensed Marks and Names which comes to the attention of NSK. In the event NSI decides to take affirmative action against any such possible infringement or act of unfair competition, NSK agrees to assist NSI, in whatever manner NSI may direct, and at the expense of NSI. NSI claims, in its sole discretion, the exclusive right to direct any such action. Recovery of damages resulting from any such action shall be solely for the accounts of NSI. Should either party hereto be involved as a defendant in any judicial action under the laws of the Territory respecting the subject matter of this Agreement, the Parties hereto agree to cooperate in such defense with each other to the greatest possible extent. Any liability of NSK in such action shall be limited to the amount of the license fees due to NSI from NSK under the terms of this Agreement.

2.5 RECITALS OF VALUE OF LICENSED MARKS AND NAMES. NSK recognizes and agrees that NSI has expended considerable time, effort and resources to develop, register, apply for registrations, maintain and enhance the value and reputation of the Licensed Marks and Names. NSK further agrees it will derive a considerable benefit from its use of the Licensed Marks and Names in the Territory and from NSI's efforts and expenditures respecting the Licensed Marks and Names.

2.6 ROYALTIES. As compensation for the exclusive licenses granted pursuant to the terms of this Agreement, NSK shall pay to NSI a royalty equal to five percent (5%) (or as otherwise mutually agreed upon by the Parties) of its sales, net of value added tax (VAT), of all Products and Commercial Materials sold in the Territory during the entire term of this Agreement. Where NSI owns the formulae or has exclusive rights to the Product or Commercial Material in the Territory, the applicable royalty shall be eight percent (8%) of sales, or as otherwise mutually agreed upon by the Parties.

2.6(a) NSK shall give to NSI, at the end of each month, a written statement of the sales volume of the Products and Commercial Materials achieved during such period in the Territory. This statement shall be certified as to its correctness by NSK's principal financial officer and dispatched to NSI within thirty (30) days following the close of each such period.

2.6(b) For purposes of computing the royalty, Products and Commercial Materials shall be considered sold when recognized for accounting purposes as a sale by NSK to NSI Independent Distributors or others in the Territory.

2.6(c) The Parties agree that the royalty shall remain competitive within the market and shall be determined by negotiated arm's length standards and may be amended from time to time as agreed by the Parties in writing.

2.6(d) NSK shall keep complete and accurate records of its activities under this Agreement which shall be open to inspection by authorized representatives of NSI at any reasonable time. NSI may also appoint a CPA or equivalent of NSI's choice in the Territory for the purpose of auditing NSK's relevant records.

2.6(e) Payments made by NSK to NSI under this Agreement shall be payable in Korean Won with any exchange rate risks to U.S. dollars or other currency being borne by NSI. Payments shall be made either directly to NSI in immediately available funds by wire transfer to Zion's First National Bank, Provo Branch, Provo, Utah, U.S.A. -- account number 32927931, or by such other means of payment designated by NSI.

2.6(f) Without limiting any of NSI's other rights and remedies under this Agreement, amounts outstanding under the terms of this Agreement not paid within ninety (90) days from the date due and payable, and as set forth in the payment provisions herein, shall bear interest at the prime interest rate as reported in the WALL STREET JOURNAL plus two percent (2%) for the full period outstanding. Whether or not interest charges are actually levied is at the discretion of NSI.

2.7 WARRANTY OF TITLE; DEFENSE OF CLAIMS. NSI hereby warrants and represents that it is the sole and exclusive owner of the Licensed Marks and Names; that all NSI Proprietary Information related to the Licensed Marks and Names is confidential, giving NSI a competitive advantage in its worldwide markets; that to the best of its knowledge and information no claim

exists or has been made contesting the ownership and title of said Licensed Marks and Names; and that NSK's use of the Licensed Marks and Names in the Territory will not constitute an infringement of the right of any third party. NSI shall indemnify and hold harmless NSK for any loss, damage or claim, including reasonable attorneys' fees, arising from or relating to any breach of the warranties contained herein. NSI reserves the right to control the defense of any litigation including, without limitation, the right to choose counsel and to settle and dispose of any such litigation or claim as it deems appropriate in its sole discretion.

2.8 MODIFICATIONS. NSK shall make no modification to the Licensed Marks and Names without the express, prior written consent of NSI.

2.9 RESERVATION OF RIGHTS TO TERMINATE LICENSE. NSI hereby retains the right to terminate any of the licenses granted as part of the Licensed Marks and Names or this Agreement for any of the reasons set forth in this Agreement.

ARTICLE III

GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS

3.1 OBLIGATIONS OF NSK. NSK agrees it will obtain any governmental approval required in the Territory to enable this Agreement to become effective or to enable any payment pursuant to the provisions of this Agreement to be made, or any other obligation hereunder to be observed or performed, including the recordation of the licenses granted pursuant hereto as required by Korean law. NSK agrees to keep NSI informed of its progress in obtaining all such governmental approvals.

3.2 COMPLIANCE WITH LAWS. NSK shall comply with and make all necessary filings and notifications under all applicable laws, regulations and ordinances in the Territory, including without limitation, any requirement for the registration or recording of this Agreement with any applicable or responsible governmental entities and authorities.

3.3 PROTECTION OF NSI. NSK shall refrain from any action that will cause NSI to be in violation of any applicable law, regulation, or ordinance of the Territory, the United States, or elsewhere, or of any international convention, bilateral, or multilateral treaty to which the Territory or the United States is a signatory, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Control Laws, and the U.S. Anti-Boycott Laws.

3.4 COMPLIANCE OF NSK OPERATION. NSK shall capitalize itself adequately and maintain its operations on a financially sound basis and in compliance with all applicable laws, regulations and ordinances covering the operation of such business entities in the Territory.

ARTICLE IV

TERM AND TERMINATION

4.1 TERM. This Agreement shall be effective as of the first day of NSK operations in the Territory. The initial term of the Agreement shall expire in five (5) years from the date of its execution, but shall automatically be renewed for successive five (5) year terms unless either party gives three (3) months written notice to the other of its intent to terminate this Agreement prior to the expiration of the term then in effect.

4.2 BREACH AND NOTICE. In case either party breaches any provision of this Agreement, the other party may immediately give notice of intention to terminate within ninety (90) days thereof and, unless the breaching party notifies the other of the cure of such breach within said period, this Agreement shall automatically terminate at the expiration of the ninety day period. Should any such breach consist of the failure of NSK to pay any amount owing to NSI hereunder, the period of notice of intention to terminate this Agreement shall be thirty (30) days.

4.3 EXAMPLES OF MATERIAL BREACH. Either party may terminate this Agreement upon the occurrence of any of the following:

4.3(a) the filing by or against the other party hereto of a petition in bankruptcy or judicial or administrative declaration of insolvency, the dissolution, liquidation, or re-organization of, and the loss of clearinghouse privileges by, one party as circumstances justifying termination of the Trademark-Trade Name Licensing Agreement, by giving notice to the latter party of its intention to so terminate. NSI may terminate this Agreement by giving notice thereof to NSK in the event of government expropriation of any of the assets of NSI or NSK which relate to the activities of NSK contemplated by this Agreement;

4.3(b) if NSK causes or allows a judgment to be entered against it or causes or allows a lien, security interest or other encumbrance to be placed upon its assets or the assets of NSI;

4.3(c) if NSK undergoes a substantial change in ownership or control. Upon any of the foregoing events, such termination shall be immediately effective.

4.3(d)if either party violates a term, condition, covenant, warranty or promise under this Agreement.

4.4 OBLIGATION OF NSK UPON TERMINATION. Upon termination of this Agreement by either Party, NSK agrees to sell, destroy or otherwise dispose of all Products and Commercial Materials bearing the Licensed Marks and Names in accordance with written instruction from NSI delivered pursuant to the Notice provisions of this Agreement. Upon termination, NSK will cease to use the Licensed Marks and Names.

4.5 DAMAGES NOT ALLOWABLE. Should this Agreement be terminated for any reason, NSK shall not be able to claim from NSI any damages or compensation for losses or expenses incurred, or for lost profits.

4.6 SURVIVAL OF OBLIGATIONS. Termination of this Agreement shall not affect (1) any of the obligations, covenants and warranties made hereunder, including the payment of any fees or other costs which have accrued as of the date of termination; (2) any obligation which from the provision of this Agreement is intended to survive the termination of said Agreement.

4.7 WAIVER. Any waiver by either party of a breach of any term or condition of this Agreement shall not be considered as a waiver of a subsequent breach of the Agreement or any other term or condition thereof.

4.8 REVERSION OF RIGHTS. Upon termination of this Agreement, all rights and licenses herein granted to NSK shall immediately cease and shall revert to NSI, and NSK shall cease representing to any third party that it has any right to use, assign, convey or otherwise transfer the Licensed Marks and Names.

ARTICLE V

RELATIONSHIP OF NSI AND NSK

The Parties agree that they are separate entities and have entered this Agreement as individual contracting parties. Nothing contained or implied in this Agreement shall be construed to constitute NSK as the legal representative or agent of NSI or to constitute or construe the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking. NSK shall not conclude any contract or agreement or make any commitment, representation or warranty that binds NSI or otherwise act in the name of or on behalf of NSI. Nothing contained in this Agreement shall be construed to require NSI to establish or maintain a branch office, subsidiary corporation or fixed place of business or similar permanent establishment in the Territory. In fact, the Parties understand and agree that NSI will refrain from conducting business or engaging in any activity in the Territory which could be construed, under the applicable laws and tax regulations, as doing or conducting business in the Territory.

ARTICLE VI

CONFIDENTIALITY

6.1 OBLIGATION TO KEEP CONFIDENTIAL. NSI and NSK agree to hold confidential any Proprietary Information disclosed by the other party or otherwise obtained, directly or indirectly. NSK agrees that should it have access to any Proprietary Information during the course of its relationship with NSI, it will make no changes to or copies of such materials without the prior, express written consent of NSI's authorized representative. Neither party will use, divulge, or

disclose any Proprietary Information, directly or indirectly, for its own benefit or for the benefit of any third party.

6.2 SURVIVAL OF OBLIGATION. NSI and NSK agree to keep confidential the terms of this Agreement until such time as: (a) either party releases the other party, in writing, from its terms; or (b) the Proprietary Information becomes known to the general public by means other than through a breach of this Agreement; provided that the obligations of the Parties shall cease only with respect to that portion of Proprietary Information identified in a written release or generally known to the public. The confidentiality provisions of this Article shall survive termination of this Agreement.

6.3 INFORMATION THE EXCLUSIVE PROPERTY OF NSI. NSK acknowledges that all NSI Proprietary Information communicated to NSK by NSI, relating to the Licensed Marks and Names, shall be deemed to be secret and confidential in character and, as between the Parties, will be considered the exclusive property of NSI licensed to NSK for the Territory. Such information is provided to NSK solely for the benefit of NSK and to enable NSK to perform its obligations and rights pursuant to the provisions of this Agreement. Such information is not available to third parties, except to the extent that it may be absolutely necessary to achieve the purposes of this Agreement. NSK further agrees to take all reasonable measures to prevent its employees or agents from divulging such information in any manner that may be contrary to the interest of NSI or NSK.

ARTICLE VII

ASSIGNMENT

This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that NSK may not assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of NSI through its authorized representative (which consent may be granted or withheld by NSI in its sole discretion). Any such attempted assignment shall be void and unenforceable.

ARTICLE VIII

FORCE MAJEURE

Neither party shall be in default under the terms of this Agreement by reason of its delay in the performance of or failure to perform any of its obligations hereunder if such delay or failure is caused by strikes, acts of God, the public enemy, riots, incendiaries, interference by military authorities, compliance with governmental laws, rules and regulations, delays in transit or delivery, inability to secure necessary governmental priorities for materials or any fault beyond its control or without its fault or negligence.

ARTICLE IX

GOVERNMENTAL APPROVAL

Should government approval, filing or recording of this Agreement be required or as provided in Article III herein, this Agreement shall not become effective until the consent of said

proper governmental authorities in the Territory has been obtained. If such approval or filing is required by law, NSK is responsible, pursuant to the provisions of Article III, for filing and notification of this Agreement with appropriate authorities in the Territory.

ARTICLE X

RECORDING

NSI, in its sole discretion, shall have the right to record this Agreement or proof thereof, or to enter NSK as a registered user in the Territory. NSK agrees to cooperate, as reasonably requested by NSI, in arranging for such recordings or entries, or in bearing or canceling such recordings or entries in the event of amendments to or termination of this Agreement for any reason. Pursuant to Article IV herein, NSK will record the licenses granted herein with the Korean authorities as required by law.

ARTICLE XI

GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, United States of America, applicable to contracts executed and performed therein. The Parties agree that the forum for any arbitration, action, suit or proceeding arising out of this Agreement shall be in the State of Utah and each party submits to the jurisdiction in the State of Utah for resolution of any conflict or litigation arising under or purporting to interpret this Agreement. Any dispute arising out of this Agreement or any of the responsibilities and

obligations therein shall be resolved through arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules and supplemented by the Procedures for International Commercial Arbitration. The arbitration proceedings shall be conducted in Salt Lake City, Utah, U.S.A. The findings and conclusions of said arbitration shall be binding upon the Parties, their heirs, successors, assigns and beneficiaries.

ARTICLE XII

APPLICABILITY OF POST-EFFECTIVE LAW

To the extent that the Vienna Convention on the International Sale of Goods (the "Vienna Convention"), the United Nations Convention on Contracts for the International Sale of Goods (the "UN Convention") or some other such similar law, treaty or act becomes effective during the term of this Agreement, the Parties agree that neither the Vienna Convention, the UN Convention, nor any such similar law, treaty or act shall be applicable to this Agreement or the transactions contemplated hereunder.

ARTICLE XIII

WAIVER AND DELAY

No waiver by either party of any breach or default in performance by the other party, and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect

to any subsequent breach thereof or a waiver by either party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

ARTICLE XIV

NOTICES

All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered by hand, or if communicated by facsimile, cable or similar electronic means to the facsimile number or cable identification number as previously provided by each party to the other, at the time that receipt thereof has been confirmed by return electronic communication or signal that the message has been received, or if mailed, ten (10) days after dispatch by registered airmail, postage prepaid, from any post office addressed as follows:

If to NSK: Nu Skin Korea, Ltd.
 Dabong Tower
 890-12 Daechi-dong
 Kangnam-ku, Seoul
 Korea
 Facsimile No.: 82-2-552-9728

If to NSI: Nu Skin International, Inc.
 75 West Center Street
 Provo, Utah 84601, U.S.A.
 Facsimile Number: (801) 345-5999
 Attn.: Senior International Legal Counsel

Either party may change its facsimile number, cable identification number or address by a notice given to the other party in the manner set forth above.

ARTICLE XV

INTEGRATED CONTRACT

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous negotiations, representations, agreements and understandings (both oral and written) of the Parties.

ARTICLE XVI

MODIFICATION AND AMENDMENTS

No supplement, modification or amendment of this Agreement shall be binding unless it is in writing and executed by the Parties.

ARTICLE XVII

NONDISCLOSURE

The Parties agree that, except to the extent required by law, neither party will disclose the existence of any of the terms of this Agreement to any person that is not an affiliate of such party or an employee or agent of such party or affiliate without the prior written consent of the other party.

ARTICLE XVIII

SEVERABILITY

To the extent that any provision of this Agreement is (or in the opinion of counsel mutually acceptable to both Parties would be) prohibited, judicially invalidated or otherwise

rendered unenforceable in any jurisdiction, such provision shall be deemed ineffective only to the extent of such prohibition, invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of this Agreement will not invalidate or render unenforceable any other provision of this Agreement, nor will such provision of this Agreement be invalidated or rendered unenforceable in any other jurisdiction.

ARTICLE XIX

COUNTERPARTS AND HEADINGS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All headings and captions are inserted for convenience of reference only and shall not affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in the United States of America by their respective duly authorized representatives as of the day and year first-above written.

NU SKIN INTERNATIONAL, INC.

NU SKIN KOREA, LTD.

BY: /s/ BLAKE M. RONEY

BY: /s/ SUNG-TAE HAN

BLAKE M. RONEY
PRESIDENT AND CEO

SUNG-TAE HAN
REPRESENTATIVE DIRECTOR

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated February 19, 1997 relating to the consolidated financial statements of Nu Skin Asia Pacific, Inc., which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Consolidated Financial and Other Information" in such Prospectus. However, it should be noted that Price Waterhouse LLP has not prepared or certified such "Selected Consolidated Financial and Other Information."

/s/ PRICE WATERHOUSE LLP

Price Waterhouse LLP
Salt Lake City, Utah
June 2, 1997