UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number: **011-12421**

NU SKIN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**87-0565309** (IRS Employer Identification Number)

75 West Center Street
Provo, UT 84601
(Address of principal executive offices and zip code)

(801) 345-1000
(Registrant's telephone number, including area code)

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

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

As of July 30, 2004, 69,379,761 shares of the registrant’s Class A common stock, $.001 par value per share and no shares of the registrant’s Class B common stock were outstanding.

NU SKIN ENTERPRISES, INC.

2004 FORM 10-Q QUARTERLY REPORT – SECOND QUARTER

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Nu Skin, Pharmanex and Big Planet are trademarks of Nu Skin Enterprises, Inc. or its subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NU SKIN ENTERPRISES, INC.
Consolidated Balance Sheets
(in thousands, except share amounts)

	June 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 169,774	$ 122,568
Accounts receivable	16,054	15,054
Inventories, net	87,773	83,338
Prepaid expenses and other	46,953	60,163
	320,554	281,123
Property and equipment, net	64,612	60,528
Goodwill	111,331	118,768
Other intangible assets, net	62,847	67,572
Other assets	58,819	63,068
Total assets	$ 618,163	$ 591,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 15,567	$ 18,816
Accrued expenses	93,937	95,068
Current portion of long-term debt	17,733	17,915
	127,237	131,799
Long-term debt	146,457	147,488
Other liabilities	20,608	21,524
Total liabilities	294,302	300,811
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, $.001 par value, 72,073,135 and 70,700,497 shares issued and outstanding	72	71
Additional paid-in capital	(51,504)	(68,191)
Accumulated other comprehensive loss	(68,873)	(70,849)

Retained earnings	446,175	431,615
Deferred compensation	(2,009)	(2,398)
	323,861	290,248
Total liabilities and stockholders' equity	$ 618,163	$ 591,059

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

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Revenue	$ 284,241	$ 240,720	$ 548,229	$ 460,352
Cost of sales	47,506	45,292	91,429	86,901
Gross profit	236,735	195,428	456,800	373,451
Operating expenses:				
Selling expenses	121,398	97,492	233,980	185,528
General and administrative expenses	80,382	72,197	164,016	142,470
Total operating expenses	201,780	169,689	397,996	327,998
Operating income	34,955	25,739	58,804	45,453
Other income (expense), net	(2,702)	965	(3,567)	1,541
Income before provision for income taxes	32,253	26,704	55,237	46,994
Provision for income taxes	11,934	9,880	20,438	17,387
Net income	$ 20,319	$ 16,824	$ 34,799	$ 29,607
Net income per share (Note 3):				
Basic	$ .28	$ .21	$ .49	$ .37
Diluted	$ .28	$ .21	$ .47	$ .36
Weighted average common shares outstanding:				
Basic	71,570	80,403	71,348	80,589
Diluted	73,747	81,561	73,396	81,890

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

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003

Cash flows from operating activities:		
Net income	$ 34,799	$ 29,607
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,721	10,954
Amortization of deferred compensation	389	325
Changes in operating assets and liabilities:		
Accounts receivable	(1,000)	2,886
Inventories, net	(4,435)	(1,080)
Prepaid expenses and other	10,494	(3,957)
Other assets	1,176	(4,249)
Accounts payable	(3,249)	(2,306)
Accrued expenses	8,799	(16,666)
Other liabilities	670	3,706
Net cash provided by operating activities	61,364	19,220
Cash flows from investing activities:		
Purchase of property and equipment	(13,859)	(10,366)
Net cash used in investing activities	(13,859)	(10,366)
Cash flows from financing activities:		
Exercise of distributor and employee stock options	9,304	273
Payments of cash dividends	(11,489)	(11,277)
Repurchase of shares of common stock	—	(8,231)
Net cash used in financing activities	(2,185)	(19,235)
Effect of exchange rate changes on cash	1,886	3,690
Net increase (decrease) in cash and cash equivalents	47,206	(6,691)
Cash and cash equivalents, beginning of period	122,568	120,341
Cash and cash equivalents, end of period	$ 169,774	$ 113,650

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

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

1. THE COMPANY

Nu Skin Enterprises, Inc. (the “Company”) is a leading, global, direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements that are sold worldwide under the Nu Skin and Pharmanex brands. The Company also markets technology products and services under the Big Planet brand. The Company reports revenue from five geographic regions: North Asia, which consists of Japan and South Korea; Greater China, which consists of Mainland China, Hong Kong and Taiwan; North America, which consists of the United States and Canada; South Asia/Pacific, which consists of Australia, Malaysia, New Zealand, the Philippines, Singapore and Thailand; and Other Markets, which consists of Brazil, Europe, Guatemala and Mexico (the Company’s subsidiaries operating in these countries are collectively referred to as the “Subsidiaries”).

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of June 30, 2004, and for the three- and six-month periods ended June 30, 2004 and 2003. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

2. STOCK–BASED COMPENSATION

The Company measures compensation expense for its stock-based employee compensation plans. Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans based on the fair market value of options granted. The Company has chosen to account for stock-based compensation granted to employees using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to* Employees, and related interpretations. Accordingly, because the grant price equals the market price on the date of grant for options issued by the Company, no compensation expense is recognized for stock options issued to employees. However, stock-based compensation granted to non-employees, such as the Company's independent distributors and consultants, is accounted for in accordance with SFAS No. 123. SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, which amended SFAS No. 123 requires more prominent and frequent disclosures about the effects of stock-based compensation, which have been provided herein. Had compensation cost for the Company's stock options been recognized based upon the estimated fair value on the grant date under the fair value methodology prescribed by SFAS No. 123, as amended by SFAS No. 148, the Company's net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Net income, as reported	$ 20,319	$ 16,824	$ 34,799	$ 29,607
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,347)	(1,332)	(2,697)	(2,728)
Pro forma net income	$ 18,972	$ 15,492	$ 32,102	$ 26,879
Earnings per share:				
Basic - as reported	$ 0.28	$ 0.21	$ 0.49	$ 0.37
Basic - pro forma	$ 0.27	$ 0.19	$ 0.45	$ 0.33
Diluted - as reported	$ 0.28	$ 0.21	$ 0.47	$ 0.36
Diluted - pro forma	$ 0.26	$ 0.19	$ 0.44	$ 0.33

3. NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented. For the three- and six-month periods ended June 30, 2004, no options were excluded from the calculation of diluted earnings per share because they were anti-dilutive. For the three- and six-month periods ended June 30, 2003, other stock options totaling 3.7 million and 3.6 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive. Earnings per share in 2004 were positively impacted by the repurchase of 10.8 million shares of the Company's Class A common stock, which occurred in October 2003.

4. DIVIDENDS PER SHARE

In May 2004, the board of directors declared a quarterly cash dividend of $0.08 per share for all classes of common stock. This quarterly cash dividend of approximately $5.7 million was paid on June 23, 2004, to stockholders of record on June 4, 2004. In July 2004, the board of directors declared a quarterly cash dividend of $0.08 per share for all classes of common stock to be paid in September 2004.

5. DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2004 and December 31, 2003, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $127.7 million and $64.3 million, respectively, to hedge foreign-currency-denominated intercompany transactions. All such contracts were denominated in Japanese yen. As of June 30, 2004 and December 31, 2003, $1.1 million and $3.9 million of net unrealized losses, net of related taxes, respectively, were recorded in accumulated other comprehensive loss. The contracts held at June 30, 2004 have maturities through May 2005 and accordingly, all unrealized gains and losses on foreign currency cash flow hedges included in accumulated other comprehensive loss will be recognized in current earnings over the next 12 months. The Company recognized pre-tax net losses on foreign currency cash flow hedges of $1.6 million and $4.3 million for the three- and six-month periods ended June 30, 2004, respectively, and recognized losses of $1.5 million and $2.8

million for the three- and six-month periods ended June 30, 2003, respectively, which were recorded primarily as an offset to revenue in Japan.

6. REPURCHASE OF COMMON STOCK

During the three- and six-month periods ended June 30, 2004, the Company did not repurchase any shares of its Class A common stock under its open market repurchase plan. During the three- and six-month periods ended June 30, 2003, the Company repurchased approximately 235,000 and 794,000 shares of Class A common stock under the plan for approximately $2.3 million and $8.2 million, respectively.

7. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three- and six-month periods ended June 30, 2004 and 2003, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Net income	$ 20,319	$ 16,824	$ 34,799	$ 29,607
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	67	2,109	(749)	1,154
Net unrealized gains on foreign currency cash flow hedges	1,536	1,377	7	1,577
Net losses reclassified into current earnings	1,016	854	2,718	1,610
Comprehensive income	$ 22,938	$ 21,164	$ 36,775	$ 33,948

8. SEGMENT INFORMATION

The Company operates in a single reportable operating segment by selling products to a global network of independent distributors that operates in a seamless manner from market to market except for its operations in Mainland China. In Mainland China the Company utilizes an employed sales force to sell its products through fixed retail locations. The Company's largest expense (selling expenses) is the world-wide commissions and Mainland China sales employee expenses paid on product sales. The Company manages its business primarily by managing its global sales force. The Company does not use profitability reports on a regional or divisional basis for making business decisions. However, the Company does recognize revenue in five geographic regions: North Asia, Greater China, North America, South Asia/Pacific, and Other Markets. Revenue generated in each of these regions is set forth below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Region:				
North Asia	$ 159,545	$ 150,681	$ 309,600	$ 284,776

Greater China	59,167	30,021	106,742	57,074
North America	36,046	33,058	73,608	65,519
South Asia/Pacific	20,410	18,028	40,087	35,930
Other Markets	9,073	8,932	18,192	17,053
Totals	$ 284,241	$ 240,720	$ 548,229	$ 460,352

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications match the hedging gains and losses associated with the Japanese yen to the North Asia region, which were previously classified under the North America region.

Additional information as to the Company’s operations in its most significant geographical areas is set forth below (in thousands):

Revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Japan	$ 143,405	$ 136,111	$ 277,709	$ 256,842
United States	33,458	30,774	68,584	60,799
Mainland China	29,541	5,830	52,337	9,722

Long-lived assets:

	June 30, 2004	**December 31, 2003**
Japan	$ 16,503	$ 18,553
United States	257,313	286,659
Mainland China	8,364	8,545

9. NEW PRONOUNCEMENTS

During the first quarter of 2004, the Company adopted FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*. This accounting standard became effective during the first quarter of 2004. The adoption of this accounting standard did not have a material effect on the Company’s financial statements.

10. DEFERRED TAX ASSETS AND LIABILITIES

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise’s activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. As of June 30, 2004, the Company has net deferred tax assets of $52.2 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction as of June 30, 2004 and reclassified prior period balances to conform to the June 30, 2004 presentation.

11. INTANGIBLE ASSETS

The Company is required to make judgments regarding the useful life of its intangible assets. With the implementation of SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), the Company determined certain intangible assets to have indefinite lives based upon its analysis of the requirements of SFAS No. 141, *Business Combinations*, and SFAS No. 142.

In connection with a registration statement the Company filed in October 2003, the Staff of the Securities and Exchange Commission commented on and sought additional support for the indefinite life designation of these assets. Based on the Company's assessment in responding to these comments, the Company recorded the following in the second quarter of 2004: (i) a one-time amortization charge of $1.2 million resulting from retroactive changes in the estimates of the useful lives of certain intangible assets, which included the assignment of useful lives to the Company's distributor network and certain trademarks and trade names that were previously designated as indefinite lived assets; (ii) an entry to reduce intangible assets and retained earnings by approximately $8.8 million to reflect a reduction in the carrying amount of an intangible asset previously purchased from a group of controlling shareholders to its carryover basis; and (iii) an entry to reclassify approximately $7.4 million from goodwill to other intangible assets to retroactively reflect intangible assets acquired.

As a result of these changes the Company recorded an additional $0.3 million of amortization related to these assets in the second quarter of 2004 and will continue to recognize an additional $0.3 million of such amortization per quarter through the remainder of the useful lives, which approximate 12 years as of June 30, 2004.

12. SUBSEQUENT EVENTS

Stock Repurchase
On July 27, 2004, the Company provided notice of exercise of an option to purchase shares of common stock from members of its original stockholder group. These stockholders also sold 1.5 million shares to third-party investors. The Company purchased 3.1 million shares on July 30, 2004 for an aggregate purchase price of $70.0 million, or $22.62 per share. The option was obtained by the Company as part of a recapitalization transaction completed in October 2003. The Company will file a registration statement with respect to the shares sold to the third-party investors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Securities and Exchange Commission ("SEC") on March 15, 2004, and our other filings, including Current Reports on Form 8-K, filed with the SEC through the date of this report.

Overview

Revenue for the three- and six-month periods ended June 30, 2004 increased 18.1% and 19.1% to $284.2 million and $548.2 million from $240.7 million and $460.4 million for the same periods in 2003. Excluding the impact of changes in foreign currency exchange rates, we would have experienced a revenue increase of 13.3% and 13.7%, respectively, for the three- and six-month periods ended June 30, 2004 compared to the same periods in the prior year. The increase in revenue resulted primarily from strong growth in Mainland China and in our U.S. nutrition business and an ongoing emphasis on distributor and customer retention programs globally. Revenue was negatively impacted by a decline in local currency revenue in Japan.

These factors also contributed to a 33.3% and 30.6% increase, respectively, in earnings per share for the three- and six-month periods ended June 30, 2004 compared to the prior period. The growth in earnings per share was also positively impacted by the repurchase of 10.8 million shares of our Class A common stock, which occurred in October 2003, and negatively impacted by a one-time, $1.2 million, non-cash amortization adjustment as discussed below in "General and administrative expenses" as well as declines noted below in "Other income (expense), net."

Revenue

North Asia. The following table sets forth revenue for the three-and six-month periods ended June 30, 2004 and 2003 for the North Asia region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	**2003**	**Change**	**2004**	**2003**	**Change**
Japan	$ 143.4	$ 136.1	5%	$ 277.7	$ 256.8	8%
South Korea	16.1	14.6	10%	31.9	28.0	14%
North Asia total	$ 159.5	$ 150.7	6%	$ 309.6	$ 284.8	9%

Growth in revenue for the three- and six-month periods in 2004 compared to the same periods in 2003 resulted primarily from favorable currency exchange rates and growth in South Korea. Excluding the impact of changes in foreign currency exchange rates, revenue in North Asia decreased 2% in the second quarter of 2004 compared to the same period in 2003 and remained nearly constant for the six-month periods of 2004 and 2003. In local currency, revenue in Japan decreased 2% and 1% for the three- and six-month periods of 2004 compared to the same periods in 2003. The decline in local currency revenue resulted from the absence of a meaningful growth driver. This is largely the result of uncertainty related to the regulatory status of the Pharmanex® BioPhotonic

Scanner in Japan over the past several quarters as well as from the impact of competition in the market. In addition, the rapid growth in Mainland China has resulted in an increased number of Japanese distributor leaders increasing a portion of their time on our business in Mainland China. These factors have contributed to some softness in our Japan business, which we anticipate will continue to negatively impact our business in Japan throughout the balance of 2004. We recently confirmed with regulators, however, that we will be able to use the Scanner as a non-medical device in Japan. This should allow us to introduce the Pharmanex® BioPhotonic Scanner into our walk-in centers by the end of the third quarter and begin

distributing Scanners to our distributor leaders by December of this year. We anticipate having approximately 150 Scanners available for our distributor leaders in Japan by December of 2004. Revenue for the six-month period ended June 30, 2004 was also negatively impacted by first quarter 2004 challenges associated with the Bovine Spongiform Encephalopathy ("BSE") issue (commonly referred to as "mad cow disease"), which required the conversion from bovine based capsules to tablets and non-bovine based capsules for our dietary supplements. In local currency, revenue in South Korea increased 7% and 11% for the three- and six-month periods of 2004 compared to the same period in 2003. The growth in revenue in South Korea for the three- and six-month periods of 2004 was due to the continued growth in active distributors in 2004. We are pleased with this growth given the difficult regulatory and economic conditions in South Korea. For example, new legislation was recently passed that requires all distributors who plan on selling nutritional supplements to receive four hours of training.

Greater China. The following table sets forth revenue for the three- and six-month periods ended June 30, 2004 and 2003 for the Greater China region and its principal markets (in millions):

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	2004	**2003**	**Change**	**2004**	**2003**	**Change**
Mainland China	$ 29.5	$ 5.8	409%	$ 52.3	$ 9.7	439%
Taiwan	20.4	18.8	9%	37.4	36.4	3%
Hong Kong	9.3	5.4	72%	17.0	11.0	55%
Greater China total	$ 59.2	$ 30.0	97%	$ 106.7	$ 57.1	87%

Revenue in Greater China increased primarily as a result of the continued sequential growth following the early 2003 expansion of operations in Mainland China. Foreign currency fluctuations from 2003 to 2004 did not have a notable impact on this region. On a sequential basis, revenue in Mainland China increased 29% from the first quarter of 2004 to the second quarter of 2004. This growth is attributed to an increased number of preferred customers and employed sales representatives in Mainland China. We currently operate in a total of 23 cities in eight provinces in Mainland China. We continue to experience government scrutiny due to our international reputation as a direct selling company. For a more detailed discussion of the risks and challenges we face in Mainland China, please refer to "Note Regarding Forward-Looking Statements." We currently anticipate that the Chinese government will publish new direct selling regulations in the next few months. These regulations could have a positive impact on our business if they provide us with more flexibility in operating our business, which would allow us to implement direct selling in this market. Although we conduct retail operations and not direct selling operations in Mainland China, we expect government and media scrutiny on any form of marketing by direct selling companies, even if they don't conduct direct selling in China, to increase as we approach the publication and implementation of new direct selling laws and regulations. As a result, in order to minimize material adverse regulatory actions that could have a negative impact on our ability to take advantage of any new direct selling regulations, we are focusing on increased training of our sales employees and enforcement of our employee policies rather than launching significant new products, rapidly expanding our retail presence and otherwise significantly growing revenue through the balance of 2004. These efforts combined with a third quarter Hong Kong based sales convention for China sales employees and distributors in Greater China and other markets, which is expected to divert sales into Hong Kong, will negatively impact our sequential revenue growth rate in Mainland China in the third quarter, but the convention sales will inversely increase the revenue growth rate in Hong Kong in the quarter. Considering these factors, we currently anticipate that revenue for Mainland China will be approximately $120.0 million for the year.

Hong Kong reached record sales during the second quarter of 2004 with revenue up approximately 72% over the same prior-year period. This increase in revenue in Hong Kong for the second quarter and six months ended June 30, 2004, as well as the increase in revenue in Taiwan, resulted primarily from our modification to the compensation program in these markets, which provides

incentives for our distributors to generate monthly product subscriptions. In addition, the influence of the strong momentum in Mainland China over the past year has positively impacted revenue results throughout the Greater China region. The year-over-year increase in revenue in Taiwan for the second quarter was the first year-over-year increase since the first quarter of 2003.

North America. The following table sets forth revenue for the three- and six-month periods ended June 30, 2004 and 2003 for the North America region and its principal markets (in millions):

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	2004	**2003**	**Change**	**2004**	**2003**	**Change**
United States	$ 33.5	$ 30.8	9%	$ 68.6	$ 60.8	13%
Canada	2.6	2.3	13%	5.0	4.7	6%

North America total	$ 36.1	$ 33.1	9%	$ 73.6	$ 65.5	12%

The increase in revenue in the United States for the second quarter of 2004 compared to the same period in the prior year was a result of the continued focus on retention efforts primarily due to the positive impact of monthly subscription order programs and the Pharmanex® BioPhotonic Scanner program. Pharmanex sales for the second quarter of 2004 in the United States increased 47% as a result of these programs. Nu Skin revenue also increased 13% in the second quarter of 2004 compared to the same period in 2003. The increase in revenue in the United States for the six-month period ended June 30, 2004 compared to the same period in the prior year was also a result of $5.8 million of sales to international distributors attending the U.S. convention during the first quarter of 2004. These revenue increases were partially offset by the inclusion in the three- and six-month periods ending June 30, 2003 of $5.0 million and $10.0 million, respectively, from sales of Big Planet products and services that were eliminated in the third quarter of 2003. Our executive distributor count grew by 17% in the United States over the same prior-year quarter.

South Asia/Pacific. The following table sets forth revenue for the three- and six-month periods ended June 30, 2004 and 2003 for the South Asia/Pacific region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	**2003**	**Change**	**2004**	**2003**	**Change**
Singapore/Malaysia	$ 9.9	$ 8.6	15%	$ 18.8	$ 18.2	3%
Thailand	6.5	5.2	25%	13.3	9.7	37%
Australia/New Zealand	3.2	3.5	(9%)	6.5	6.6	(2%)
Philippines	0.8	0.7	14%	1.5	1.4	7%
South Asia/Pacific total	$ 20.4	$ 18.0	13%	$ 40.1	$ 35.9	12%

The increase in revenue in this region was due primarily to continued growth in Thailand, with local currency revenue up 18% over the same prior-year quarter. However, local currency revenue in Thailand declined slightly on a sequential basis. Combined Singapore/Malaysia revenue also experienced growth of approximately 15% during the quarter primarily as a result of increased focus on subscription programs in these markets and growth in nutrition revenue. Changes in foreign currency exchange rates positively impacted 2004 revenue comparisons. Excluding the impact of changes in foreign currency exchange rates, revenue in the South Asia/Pacific region increased 9% during the three-month period ended June 30, 2004 compared to the same period in 2003.

Other Markets. The following table sets forth revenue for the three- and six-month periods ended June 30, 2004 and 2003 for our Other Markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2004	**2003**	**Change**	**2004**	**2003**	**Change**
Europe	$ 8.3	$ 8.3	0%	$ 16.8	$ 15.9	6%
Latin America	0.8	0.6	33%	1.4	1.1	27%
Other Markets total	$ 9.1	$ 8.9	2%	$ 18.2	$ 17.0	7%

The increase was primarily due to improved sales in Latin America and favorable currency fluctuations in Europe.

Gross profit

Gross profit as a percentage of revenue increased to 83.3% for both the three- and six-month periods ended June 30, 2004 from 81.2% and 81.1% for the same periods in 2003. Our gross profit was positively impacted by the shift away from low margin Big Planet and PEO revenue to higher margin Nu Skin and Pharmanex products, strong gross margins in Mainland China resulting from in-house manufacturing, as well as the positive impact of fluctuations in foreign currency in 2004 compared to the same prior-year period. We anticipate these factors will continue to positively impact gross profit throughout 2004 with gross margins expected to range from 83.2% to 83.5% in 2004. Gross profit was negatively impacted by increased shipping costs and inventory write-offs resulting from the BSE challenges in Japan during the first quarter of 2004. Gross profit will also be slightly negatively impacted by increasing Scanner lease revenue, which has lower margins.

Selling expenses

Selling expenses as a percentage of revenue increased to 42.7% for both the three- and six-month periods ended June 30, 2004 from 40.5% and 40.3% for the same periods in 2003. In U.S. dollars, selling expenses increased to $121.4 million and $234.0 million for the three- and six-month periods ended June 30, 2004 from $97.5 million and $185.5 million for the same periods in 2003. The decline in revenue from Big Planet products and services, which pay lower commissions than our personal care and nutritional supplement product categories, as well as higher costs associated with our employed sales representatives in Mainland China contributed to the increase in selling expenses, as a percentage of revenue, for the three- and six-month periods in 2004. We currently pay approximately 7.0% to 10.0% of local revenue in additional labor costs, including unemployment and benefits, associated with our employed sales force in Mainland China, which is offset by better gross margins and lower general and administrative expenses. We anticipate these factors will continue to impact our selling expenses throughout the remainder of 2004 with selling expenses expected to range from 42.5% to 43.0% of revenue during the remainder of 2004.

General and administrative expenses

General and administrative expenses as a percentage of revenue decreased to 28.3% and 29.9% for the three- and six-month periods ended June 30, 2004 from 30.0% and 31.0% for the same periods in 2003. In U.S. dollars, general and administrative expenses increased to $80.4 million and $164.0 million for the three- and six-month periods ended June 30, 2004 from $72.2 million and $142.5 million for the same periods in 2003. Overall, general and administrative expenses as a percent of revenue improved in the second quarter of 2004 primarily due to the higher revenue generated during the quarter compared to the same period in 2003. For the six-month period of 2004, general and administrative expenses as a percent of revenue improved despite expenses of approximately $6.0 million associated with the U.S. distributor convention in the first quarter of 2004 verses expenses of approximately $4.0 million related to

a Japan convention in the first quarter of 2003. The U.S. dollar increases in general and administrative expenses for all periods considered is due to the incremental costs associated with significantly larger retail operations in Mainland China versus the prior year, convention expenses, much stronger foreign currencies against the U.S. dollar and a one-time amortization charge of $1.2 million resulting from changes in the amortization of some of our intangible assets. The adjustment resulted from the retroactive changes in the estimates of the useful lives of certain intangible assets based upon input from the Securities and Exchange Commission in connection with the review of our resale registration statements. We also recorded an additional $0.3 million of amortization related to those assets in the second quarter of 2004 based on these changes and will continue to recognize an additional $0.3 million of such amortization per quarter through the remainder of the useful lives, which approximate 12 years as of June 30, 2004. Refer to “Critical Accounting Policies” for further discussion.

Other income (expense), net

Other income (expense), net decreased approximately $3.7 million and $5.1 million for the three- and six-month periods ended June 30, 2004 compared to the prior-year periods to a loss of $2.7 million and $3.6 million. Fluctuations in other income (expense), net are impacted by interest expense and by foreign exchange fluctuations to the U.S. dollar on the translation of yen based bank debt and other foreign denominated intercompany balances into U.S. dollars for financial reporting purposes. For the three- and six-month periods ended June 30, 2004, other income (expense), net decreased primarily due to losses from foreign currency hedging losses. The three- and six-month periods ended June 30, 2004 also included interest expense of $1.5 million and $3.0 million, respectively, and we anticipate incurring approximately $1.5 million of interest expense during each of the remaining quarters of 2004.

Provision for income taxes

Provision for income taxes increased to $11.9 million and $20.4 million for the three- and six-month periods ended June 30, 2004 compared to $9.9 million and $17.4 million for the same periods in 2003. The effective tax rate remained at 37.0% of pre-tax income during the three- and six-month periods of 2004, consistent with the rate in the same prior-year periods.

Net income

As a result of the foregoing factors, net income increased to $20.3 million and $34.8 million for the three- and six-month periods ended June 30, 2004 compared to $16.8 million and $29.6 million for the same periods in 2003.

Liquidity and Capital Resources

Historically, our principal needs for funds have been for operating expenses including selling expenses, working capital (principally inventory purchases), capital expenditures and the development of operations in new markets. We have generally relied on cash flow from operations to meet our cash needs and business objectives without incurring long-term debt to fund operating activities.

We typically generate positive cash flow from operations due to favorable gross margins, the variable nature of selling expenses, which constitute a significant percentage of operating expenses, and minimal capital requirements. We generated $61.4 million in cash from operations during the six-month period ended June 30, 2004 compared to $19.2 million during the six months ended June 30, 2003. The increase in cash generated from operations during the six months ended June 30, 2004 is primarily related to the increase in net income, which includes higher non-cash amortization charges in 2004 and the reduction in income tax payments resulting from the utilization of foreign tax credits.

As of June 30, 2004, working capital was $193.3 million compared to $149.3 million as of December 31, 2003. Cash and cash equivalents at June 30, 2004 and December 31, 2003 were $169.8 million and

$122.6 million, respectively. This increase in cash balances and working capital was primarily due to the increase in cash flows from operations.

Capital expenditures, primarily for equipment, including the Pharmanex® BioPhotonic Scanner, computer systems and software, office furniture and leasehold improvements, were $13.9 million for the six-month period ended June 30, 2004. In addition, we anticipate capital expenditures during the remainder of 2004 of approximately $15.0 million to $20.0 million including purchases of additional Pharmanex® BioPhotonic Scanners, which we lease to our distributors, further expansion of our retail stores, as well as manufacturing and related infrastructure in Mainland China and further enhancements to our infrastructure, computer systems and software.

Effective May 10, 2004, we obtained a new $25.0 million three-year revolving credit facility under substantially the same terms as our previous credit facility. Drawings on this revolving credit facility may be used for working capital, capital expenditures, and other purposes including repurchases of our outstanding shares of Class A common stock. As of June 30, 2004, there were no outstanding balances under our revolving credit facility.

In August 2003, we entered into a $125.0 million multi-currency private uncommitted shelf facility with Prudential Investment Management, Inc. As of June 30, 2004, we had $75.0 million outstanding under our shelf facility, $5.0 million of which is included in the current portion of long-term debt. This long-term debt is U.S. dollar denominated, bears interest of approximately 4.5% per annum and is amortized in two tranches over five and seven years.

In addition to the $75.0 million currently outstanding under our long-term shelf facility, our long-term debt includes the long-term portion of Japanese yen denominated ten-year senior notes issued to the Prudential Insurance Company of America in 2000. The notes bear interest at an effective rate of 3.03% per annum and are due October 2010, with annual principal payments beginning in October 2004. As of June 30, 2004, the outstanding balance on the notes was 9.7 billion Japanese yen, or $89.1 million, $12.7 million of which is included in the current portion of long-term debt. The Japanese notes and the revolving and shelf credit facilities are secured by guarantees issued by our material subsidiaries or by pledges of 65% to 100% of the outstanding stock of our material subsidiaries.

Since August 1998, our board of directors has authorized us to repurchase up to $90.0 million of our outstanding shares of Class A common stock. The repurchases are used primarily to fund our equity incentive plans. During the three- and six-month period ended June 30, 2004 we did not repurchase any shares of our Class A common stock. As of June 30, 2004, we had repurchased a total of approximately 8.7 million shares of Class A common stock for an aggregate price of approximately $81.6 million.

In January 2004 and in May 2004, our board of directors declared quarterly cash dividends of $0.08 per share for all classes of common stock. These quarterly cash dividends of $5.8 million and $5.7 million were paid on March 24, 2004 and June 23, 2004 to stockholders of record on March 4, 2004 and June 4, 2004, respectively. In July 2004, the board of directors declared a quarterly cash dividend of $0.08 per share for all classes of common stock to be paid in September 2004. We anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

On July 30, 2004, we closed the purchase of approximately 3.1 million shares from members of our original stockholder group for an aggregate purchase price of $70.0 million, or $22.62 per share. The purchase was made pursuant to an option granted in connection with the recapitalization transaction that occurred in October 2003. The purchase price was determined based on the agreement entered into last October, which provided for a purchase price equal to 94% of the lower of (a) the closing sales price on the New York Stock Exchange on the date the notice of exercise was given, and (b) the average closing

sales price over the immediately preceding 15 trading days. A special committee of independent directors of the board of directors made the decision to exercise the option. The special committee engaged its own independent financial and legal advisors.

We believe we have sufficient liquidity to be able to meet our obligations on both a short- and long-term basis. We currently believe that existing cash balances together with future cash flows from operations and existing lines of credit will be adequate to fund our cash needs on both a short- and long-term basis. The majority of our historical expenses have been variable in nature and as such, a potential reduction in the level of revenue would reduce our cash flow needs. Within the past year our capital needs have increased due to the retail store model in Mainland China including manufacturing facilities and the manufacture of Pharmanex® BioPhotonic Scanners. In the event that our current cash balances, future cash flow from operations and current lines of credit are not sufficient to meet our obligations or strategic needs, we would consider raising additional funds in the debt or equity markets or restructuring our current debt obligations. Additionally, we would consider realigning our strategic plans including a reduction in capital spending, stock repurchases, or dividend payments.

Critical Accounting Policies

The following critical accounting policies and estimates should be read in conjunction with our audited consolidated financial statements and related notes thereto. Management considers the most critical accounting policies to be the recognition of revenue, accounting for income taxes and accounting for intangible assets. In each of these areas, management makes estimates based on historical results, current trends, and future projections.

Revenue. We recognize revenue when products are shipped, which is when title passes to our independent distributors. With some exceptions in various countries, we offer a return policy whereby distributors can return unopened and unused product for up to 12 months subject to a 10.0% restocking fee. Reported revenue is net of returns, which have historically been less than 5.0% of gross sales. A reserve for product returns is accrued based on historical experience. We classify all selling discounts as a reduction of revenue. Our Global Compensation Plan for our distributors is focused on remunerating distributors based upon the selling efforts of the distributors and their “downline” distributors and not their personal purchases

Income Taxes. We account for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes.” This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise’s activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We pay income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between us and our foreign affiliates. Deferred tax assets and liabilities are created in this process. As of June 30, 2004, we have net deferred tax assets of $52.2 million. We have netted these deferred tax assets and deferred tax liabilities by jurisdiction as of June 30, 2004 and reclassified prior period balances to conform to the June 30, 2004 presentation. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. We have considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required. In the event we were to determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to earnings in the period such determination was made.

Intangible Assets. In connection with acquisitions, we have recognized various intangible assets, including goodwill, on our balance sheet. Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets,” we are required to establish useful lives for our intangible assets, other than goodwill, based on the length of time such asset is expected to generate cash. This involves a subjective evaluation of numerous factors that could limit the life of such assets such as economic, competitive, and other conditions and costs to maintain such assets. In connection with the implementation of SFAS No. 142 in 2002, we reevaluated the useful lives of our assets. Indefinite lived assets are not amortized, but instead are tested for impairment at least annually. Our intangible assets with definite lives are recorded at cost and are amortized over their respective estimated useful lives to their estimated residual values, and are reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

In connection with a registration statement we filed in October 2003, the Staff of the Securities and Exchange Commission commented on and sought additional support for the indefinite life designation of these assets. Based on the our assessment in responding to these comments, we recorded the following in the second quarter of 2004: (i) a one-time amortization charge of $1.2 million resulting from retroactive changes in the estimates of the useful lives of certain intangible assets, which included the assignment of useful lives to our distributor network and certain trademarks and trade names that were previously designated as indefinite lived assets; (ii) an entry to reduce intangible assets and retained earnings by approximately $8.8 million to reflect a reduction in the carrying amount of an intangible asset previously purchased from a group of controlling shareholders to its carryover basis; and (iii) an entry to reclassify approximately $7.4 million from goodwill to other intangible assets to retroactively reflect intangible assets acquired.

As a result of these changes we recorded an additional $0.3 million of amortization related to these assets in the second quarter of 2004 and will continue to recognize an additional $0.3 million of such amortization per quarter through the remainder of the useful lives, which approximate 12 years as of June 30, 2004.

Seasonality

In addition to general economic factors, we are impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, most Asian markets celebrate their respective local New Year in the first quarter, which generally has a negative impact on that quarter. We believe that direct selling in Japan, the United States, and Europe is also generally negatively impacted during the month of August, which is in our third quarter, when many individuals, including our distributors, traditionally take vacations.

Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated. Active distributors are those distributors and preferred customers who were resident in the countries in which we operated and purchased products for resale or personal consumption directly from us during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required monthly personal and group sales volumes.

	As of June 30, 2004		**As of June 30, 2003**	
	Active(1)	**Executive**	**Active(1)**	**Executive**
Region:				
North Asia	318,000	15,907	313,000	16,276
Greater China(2)	261,000	8,384	104,000	3,861
North America	126,000	3,157	109,000	2,726
South Asia/Pacific	69,000	2,040	63,000	2,198
Other Markets	34,000	1,085	32,000	1,011
Total	808,000	30,573	621,000	26,072

(1) Active distributors include preferred customers and distributors purchasing products directly from us during the quarter.

(2) Following the opening of our retail business in Mainland China during 2003, active distributors include 191,000 and 36,000 preferred customers in Mainland China and executive distributors include 5,586 and 1,212 employed, full-time sales representatives in Mainland China for the quarters ended June 30, 2004 and 2003, respectively.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized primarily outside of the United States, except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries’ primary markets is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, our reported revenue 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. Media reports have indicated that the Chinese government may begin to allow the RMB to float more freely against the U.S. dollar and other major currencies. A strengthening of the RMB would benefit our reported revenue and profits and a weakening of the RMB would negatively impact reported revenue and profits. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, and results of operations or financial condition.

We seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through our Japanese yen denominated debt. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results.

Our foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of June 30, 2004, we had $127.7 million of these contracts with expiration dates through May 2005. All of these contracts were denominated in Japanese yen. For the three- and six-month periods ended June 30, 2004, we recorded pre-tax losses of $1.6 million and $4.3 million in operating income, all of which were offset against our revenue in Japan, and losses of $1.1 million as of June 30, 2004, net of tax, in other comprehensive income related to the fair market valuation of our outstanding forward contracts. Based on our foreign exchange contracts at June 30, 2004, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings, or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- our belief that we have sufficient liquidity to meet our obligations on both a short- and long-term basis and that existing cash and cash flow from operations will be adequate to fund cash needs;
- our anticipation that our board of directors will continue to declare quarterly cash dividends and that cash flow from operations will be sufficient to pay future dividends;
- our plans to launch the Pharmanex® BioPhotonic Scanner in Japan in December of 2004;

- our anticipation that the Chinese government will publish new direct selling guidelines in the near future that could have a positive impact on our business;
- our anticipation that revenue for Mainland China will be approximately $120.0 million for the year;
- our expectation that gross margins will range from 83.2% to 83.5% in 2004;
- our expectation that selling expenses throughout the remainder of 2004 will range from 42.5% to 43.0% of revenue;
- our anticipation that we will incur approximately $1.5 million in interest expense during each of the remaining quarters in 2004; and
- our expectation that we will spend $15.0 million to $20.0 million for capital expenditures during the remainder of 2004, including enhancements to computer systems and software.

In addition, when used in this report, the words or phrases "will likely result," "expect," "anticipate," "will continue," "intend," "plan," "believe" and similar expressions are intended to help identify forward-looking statements.

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described below and in Item 5 of this Report (which contains a more detailed discussion of the risks and uncertainties related to our business). We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations. Some of the risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

(a) Our expansion of operations in Mainland China is subject to risks and uncertainties. We continue to be subject to significant regulatory scrutiny and have experienced challenges including interruption of sales activities at certain stores and fines being paid in several cases, which in the aggregate have been less than 1.0% of revenue in Mainland China. Because of restrictions on direct selling activities, we have implemented a modified business model for this market using retail stores and an employed sales force. We have, at times, received guidance from local regulators on conducting our operations including limiting the size of our training meetings, controlling the activities of our sales employees, controlling the distribution of product outside of our stores, keeping the number of sales employees at reasonable levels and limiting the involvement of our overseas distributors. While we continuously update our operating model to address these concerns, we believe we could experience similar challenges in the future as we expand operations in Mainland China and continue to work with regulators to help them understand our business model. Our operations in Mainland China may be modified or otherwise harmed by regulatory changes, subjective interpretations of laws or an inability to work effectively with national and local government agencies. In addition, as our number of sales representatives continues to rapidly grow we could face increasing risks that improper actions by these local sales employees, or any overseas distributors, in violation of local laws or our policies could result in regulatory investigations and penalties that could harm our business.

(b) As with any new technology, we have experienced technical, production and cost issues in developing the Pharmanex® BioPhotonic Scanner. In addition, in March 2003 the FDA questioned its status as a non-medical device and we subsequently filed an application with the FDA to have the Scanner classified as a non-medical device. The FDA has not yet acted on our application. There are various factors that could determine whether the Scanner is a medical device including the claims that we or our distributors make about the Scanner. We are facing similar uncertainties and regulatory issues in other markets with respect to the status of the Scanner as a non-medical device and the claims that can be made in using the Scanner, which could delay or negatively impact our plans for the Scanner in these markets. If the launch or use of this tool is delayed or otherwise inhibited by regulatory issues or actions, or if we are unable to deliver Scanners that perform to a standard expected by our distributors, or if we are unable to make a sufficient number of Scanners available to interested distributors at reasonable lease rates, this could dampen distributor enthusiasm and harm our business. In addition, if distributors make claims regarding the Scanner outside of the claims authorized by us this could result in regulatory actions against our business.

(c) We recently have experienced local currency revenue declines in Japan. Because our Japan business accounts for a majority of our revenue, our business could be harmed if planned initiatives are not successful and do not generate renewed growth or outside factors negatively affect our business in Japan. In particular, risks associated with the Pharmanex® BioPhotonic Scanner as discussed herein, increased competitive factors, and any failure in our execution of strategies could negatively impact our business. In addition, if the Pharmanex® BioPhotonic Scanner fails to generate distributor excitement or attract new distributors or customers, this could harm our operating results in Japan. In addition, our Japanese business could be harmed by continued focus of our Japanese distributor leaders on our business in Mainland China.

(d) Because a substantial majority of our sales are generated in Asia, particularly Japan, significant variations in operating results including revenue, gross margin, and earnings from those expected could be caused by:

- renewed or sustained weakness of Asian economies or consumer confidence;
- weakening of foreign currencies, particularly the Japanese yen; or
- political unrest or uncertainty.

(e) The network marketing and nutritional supplement industries are subject to various laws and regulations throughout our markets, many of which involve a high level of subjectivity and are inherently fact-based and subject to interpretation. Recent negative publicity concerning stimulant-based supplements, which we have never sold, has spurred efforts to change existing regulations or adopt new regulations in order to impose further restrictions and regulatory control over the nutritional supplement industry. If our existing business practices or products, or any new initiatives or products, are challenged or found to contravene any of these laws by any governmental agency or other third party, or if there are any changes in regulations applicable to our business or any of our nutritional products that limit our ability to market such products, our revenue and profitability may be harmed.

(f) Chinese regulators have indicated that they intend to publish new direct selling regulations within the next few months. There can be no assurance that these regulations will be adopted or, if adopted, that they will benefit us. While we anticipate we will be able to obtain a direct selling license under any new proposed regulations, there can be no assurance that we will be able to obtain such a license should we apply. Although we currently do not operate a direct selling business in Mainland China, our future growth could be harmed if the regulations are not adopted or are unfavorable, or if we are unable to obtain a license for direct selling under these regulations.

(g) Our ability to retain key and executive level distributors or to sponsor new executive distributors is critical to our success. Because our products are distributed exclusively through our distributors and we compete with other direct selling companies in attracting distributors, our operating results could be adversely affected if our existing and new business opportunities and products do not

generate sufficient enthusiasm and economic incentive to retain our existing distributors or to sponsor new distributors on a sustained basis.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled “Currency Risk and Exchange Rate Information” in “Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part I and also in Note 5 to the Financial Statements contained in Item 1 of Part I.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated Subsidiaries) required to be included in the reports we file or submit under the Exchange Act.

Changes in internal controls.

During the most recent fiscal quarter covered by this report, there has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

	(a)	(b)	(c)	(d)
Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)**(2)
April 1 – 30, 2004	189	$ 20.35	—	$ 8.4
May 1 – 31, 2004	4,720	$ 24.16	—	$ 8.4
June 1 – 30, 2004	108	$ 23.75	—	$ 8.4
Total	5,017(1)			

(1) We have authorized the repurchase of shares acquired by our employees and distributors in certain Asian markets because of regulatory and other issues that make it difficult and costly for these persons to sell such shares in the open market. These shares were awarded or acquired in connection with our initial public offering in 1996. All of the shares listed in this column relate to repurchases from such employees and distributors.

(2) In August 1998, our board of directors approved a plan to repurchase $10.0 million of our Class A common stock in open market transactions. Our board has from time to time increased the amount authorized under the plan and a total amount of $90.0 million is currently authorized. To date, we have repurchased approximately $81.6 million of shares under the plan and during the second quarter of 2004 we made no repurchases under the plan. There has been no termination or expiration of the plan since the initial date of approval.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our Annual Meeting of Stockholders was held on May 17, 2004. At the Annual Meeting of Stockholders Blake M. Roney, M. Truman Hunt, Sandra N. Tillotson, E.J. “Jake” Garn, Paula F. Hawkins, Daniel W. Campbell, Andrew D. Lipman, and Jose Ferreira, Jr. were elected to serve as our directors until the next annual meeting of stockholders or until their successors are duly elected. Each director was elected by a plurality of votes in accordance with the Delaware General Corporation Law. There was no solicitation in opposition to management’s director nominees. The following chart reflects the vote tabulation with respect to each director nominee. The figures reported reflect votes cast by holders of our Class A common stock. Each share of Class A common stock entitles its holder to one vote.

Name of Director Nominee	Votes For	Votes Withheld
Blake M. Roney	49,417,058	9,244,576
M. Truman Hunt	49,416,972	9,244,662
Sandra N. Tillotson	49,419,864	9,241,770
E.J. "Jake" Garn	49,416,972	9,244,662
Paula F. Hawkins	55,907,773	2,753,861
Daniel W. Campbell	49,416,972	9,244,662
Andrew D. Lipman	48,764,600	9,897,034
Jose Ferreira, Jr	49,419,764	9,241,870

The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as the our independent registered public accounting firm, with 47,119,159 votes being cast for, 11,533,428 votes being cast against, and 9,045 abstentions and broker non-votes.

ITEM 5. OTHER INFORMATION

The risk factors included in Amendment No. 4 to our Registration Statement on Form S-3 filed with the Securities and Exchange Commission are attached as Exhibit 99.1 and incorporated herein by reference.

ITEM 6. <u>EXHIBITS AND REPORTS ON FORM 8-K</u>

(a)

Exhibits Regulation S-K <u>Number</u>	<u>Description</u>
10.1	Third Amendment to the Credit Agreement, dated as of May 10, 2004, among the Company, various financial institutions, and Bank One, N.A.
10.2	Third Amendment to Note Purchase Agreement, dated as of May 18, 2004, between the Company and The Prudential Insurance Company of America.
10.3	Second Amendment to Private Shelf Agreement, dated as of May 18, 2004, between the Company, Prudential Investment Management, Inc., and the holders of the Series A Senior Notes and Series B Senior Notes issued under the Private Shelf Agreement.
10.4	Lease Contract for Standard Factory Building, dated as of January 16th, 2004, between Shanghai Jin Qiao Export Processing Zone (SA) Development and Construction Co., Ltd. and Nu Skin Asia Investment, Inc. (English translation from the original Chinese language document.)
10.5	Agreement for the Transfer/Assignment of Lease Contract, dated as of April 1, 2004, among Shanghai Jin Qiao Export Processing Zone (SA) Development and Construction Co., Ltd., Nu Skin Asia Investment, Inc. and Pharmanex LLC. (English translation from the original Chinese language document.)

31.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Risk factors.

(b) Current Reports on Form 8-K.

On April 16, 2004, we filed a Current Report on Form 8-K under Item 9, “Regulation FD Disclosure” wherein we furnished an electronic copy of the text of our 2003 Annual Report.

On April 21, 2004, we filed a Current Report on Form 8-K under Item 12, “Results of Operations and Financial Condition,” wherein we furnished our press release announcing our financial results for the first quarter ended March 31, 2004 and certain other information.

On April 21, 2004, we filed a Current Report on Form 8-K under Item 12, “Results of Operations and Financial Condition,” wherein we furnished a transcript of our first quarter investor conference call.

SIGNATURE

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

August 9, 2004

NU SKIN ENTERPRISES, INC.

By: <u>/s/ Ritch N. Wood</u>
Ritch N. Wood
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

10.1	Third Amendment to the Credit Agreement, dated as of May 10, 2004, among the Company, various financial institutions, and Bank One, N.A.
10.2	Third Amendment to Note Purchase Agreement, dated as of May 18, 2004, between the Company and The Prudential Insurance Company of America.
10.3	Second Amendment to Private Shelf Agreement, dated as of May 18, 2004, between the Company, Prudential Investment Management, Inc., and the holders of the Series A Senior Notes and Series B Senior Notes issued under the Private Shelf Agreement.
10.4	Lease Contract for Standard Factory Building, dated as of January 16th, 2004, between Shanghai Jin Qiao Export Processing Zone (SA) Development and Construction Co., Ltd. and Nu Skin Asia Investment, Inc. (English translation from the original Chinese language document.)
10.5	Agreement for the Transfer/Assignment of Lease Contract, dated as of April 1, 2004, among Shanghai Jin Qiao Export Processing Zone (SA) Development and Construction Co., Ltd., Nu Skin Asia Investment, Inc. and Pharmanex LLC. (English translation from the original Chinese language document.)
31.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Risk factors.

THIRD AMENDMENT

THIS THIRD AMENDMENT dated as of May 10, 2004 (this "Amendment") amends the Credit Agreement dated as of May 10, 2001 (as previously amended, the "Credit Agreement") among Nu Skin Enterprises, Inc. (the "Company"), various financial institutions (the "Lenders"), Bank One, NA ("Bank One"), as successor administrative agent (in such capacity, the "Administrative Agent") and, solely for purposes of Section 4, Bank of America, N.A. ("Bank of America"), as resigning Administrative Agent and as assigning Lender. Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Company, the Lenders and the Administrative Agent have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendments. Subject to the satisfaction of the conditions precedent set forth in Section 3, the Credit Agreement is amended as follows.

1.1 Amendments to Definitions.

(a) The definition of "Business Day" is amended by replacing the reference to "Charlotte, North Carolina" with "Salt Lake City, Utah".

(b) The definition of "Commitment Amount" is amended in its entirety to read as follows:

Commitment Amount means $25,000,000, as reduced from time to time pursuant to Section 6.1.1.

(c) The definition of "Consolidated Net Worth" is amended in its entirety to read as follows:

Consolidated Net Worth means, at any time, (a) the consolidated stockholders' equity of the Company and the Restricted Subsidiaries, as defined according to GAAP, less (b) the sum of (i) to the extent included in clause (a), all amounts attributable to minority interests, if any, in the securities of Restricted Subsidiaries, and (ii) the amount by which Restricted Investments exceed 20% of the amount determined in clause (a).

(d) The definition of "Facility Termination Date" is amended by replacing the reference to "May 10, 2004" with "May 10, 2007".

(e) The definition of "Prime Rate" is amended in its entirety to read as follows:

Prime Rate means a rate per annum equal to the prime rate of interest announced by Bank One or its parent from time to time (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

1.2 1 Amendments to Credit Agreement to Reflect Bank One as Administrative Agent.

(a) Each reference to "Bank of America, N.A." is replaced with "Bank One, NA".

(b) Each reference to "Bank of America" is replaced with "Bank One".

(c) Each reference to "New York time" is replaced with "Salt Lake City time".

1.3 Amendment to Section 6.1.2. The text of Section 6.1.2 is deleted and replaced with "[RESERVED]".

1.4 Amendment to Section 6.2(b). The text of Section 6.2(b) is deleted and replaced with "[RESERVED]".

1.5 Deletion of Sections 9.17 and 10.1.9. Sections 9.17 ("Tax Shelter Regulations") and 10.1.9 ("Tax Shelter Documents") are deleted in their entirety.

1.6 Amendments to Section 10.10.1. Section 10.10 is amended as follows:

(a) Section 10.10.1 is amended in its entirety to read as follows:

10.10.1 Minimum Consolidated Net Worth. Not, at any time, permit Consolidated Net Worth to be less than the sum of (i) $220,661,800, (ii) an aggregate amount equal to (a) 50% of Consolidated Net Income (in each case, only if a positive number) earned in the fiscal quarter ended March 31, 2004 and in each subsequent fiscal quarter to and including the fiscal quarter ended December 31, 2005 and (b) 60% of Consolidated Net Income (in each case, only if a positive number) for each complete fiscal quarter thereafter, unless clause (iii) below is operative for any given fiscal quarter (in which case such fiscal quarter shall be excepted from this clause (b)), (iii) for the fiscal quarter ended March 31, 2006 and each fiscal quarter ended thereafter to the fiscal quarter in which Total Indebtedness is first reduced to $120,000,000 or less, an aggregate amount equal to 70% of Consolidated Net Income (in each case, only if a positive number) earned in each such fiscal quarter and (iv) 50% of the net proceeds realized by the Company and its Restricted Subsidiaries from (a) the sale of Equity Securities subsequent to December 31, 2003, excluding issuances of Equity Securities upon the exercise of employee stock options or rights under any employee benefit plans (excluding such exercise by any Person that owns greater than 5% of the Equity Securities of the Company), (b) issuances of Equity Securities in connection with acquisitions by the Company and its Restricted Subsidiaries and (c) reissuances of up to $60,000,000 of treasury securities purchased by the Company after December 31, 2003.

(b) The following new Section 10.10.3 is added in appropriate sequence:

10.10.3 Minimum Cash. Not (a) at any time from March 31, 2004 through September 30, 2004, permit Available Cash to be less than $75,000,000 and (b) at any time from October 1, 2004 through December 31, 2005, permit Available Cash to be less than $90,000,000. For purposes hereof "Available Cash" means the difference between (i) the amount of the consolidated cash and cash equivalents of the Company and Restricted Subsidiaries and (ii) the aggregate amount outstanding under revolving credit facilities on which the Company or any Restricted Subsidiaries are obligated as borrowers or guarantors.

1.7 Amendments to Schedules. Schedules 1.1, 2.1 and 14.3 are replaced with Schedules 1.1, 2.1 and 14.3, respectively, hereto.

SECTION 2 Warranties. The Company represents and warrants to the Administrative Agent and the Lenders that (a) each warranty set forth in Section 9 of the Credit Agreement is true and correct in all material respects as of the date of the execution and delivery of this Amendment by the Company, with the same effect as if made on such date, (b) no Event of Default or Unmatured Event of Default exists and (c) the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3 Effectiveness. The amendments set forth in Section 1 above shall become effective on the date (the "Effective Date") when the Administrative Agent has received (i) a counterpart of this Amendment executed by the Company, Bank of America and Bank One, (b) an amendment fee for the account of each Lender equal to 0.25% of such Lender's Commitment after giving effect hereto, (c) a Confirmation, substantially in the form of Exhibit A, signed by the Company and each Subsidiary Guarantor and (d) evidence of the payment of Bank of America's Percentage of all accrued and unpaid fees under the Credit Agreement.

SECTION 4 Resignation of Administrative Agent, Assignment of Commitment, etc.

4.1 Resignation of Administrative Agent and Issuing Lender. Bank of America hereby resigns as Administrative Agent and Issuing Lender under the Credit Agreement. The Company and the Lenders waive the 30-day notice of resignation required by Section 13.9 of the Credit Agreement and accept such resignation effective upon the Effective Date. Effective immediately upon the effectiveness of such resignation, the Required Lenders appoint Bank One as Administrative Agent and Issuing Lender under the Credit Agreement, Bank One accepts such appointment and the Company consents to such appointment.

4.2 Assignment of Commitment. Bank of America hereby assigns all of its Commitment to Bank One, and Bank One hereby assumes all of Bank of America's Commitment, in each case effective upon the Effective Date. Upon such effectiveness, Bank of America shall cease to be a party to the Credit Agreement and shall be released from all of its rights and obligations thereunder (except for any rights arising under provisions of the Credit Agreement that by their terms survive termination of the Credit Agreement). Bank One, as successor Administrative Agent, Bank of America, as resigning Administrative Agent, and (with respect to clause (a) below) the Company (a) waive delivery of any Assignment Agreement in connection with the assignment described above and (b) waive payment of the fee described in Section 14.9.1(ii)(z) in connection with such assignment. Bank One acknowledges and agrees that Bank of America, as Administrative Agent and as assignor, makes no representation or warranty about the creditworthiness of the Company or any other party to the Credit Agreement or any other Loan Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Loan Document or the value of any security therefor.

4.3 Existing Letters of Credit. The parties hereto agree that (a) on the Effective Date, (i) Bank One shall replace Bank of America as Issuing Lender under the Credit Agreement and (ii) Letters of Credit Nos. 7405491, 7405494, 7411170 and 7411767 issued by Bank of America under the Credit Agreement (the "Existing Letters of Credit") shall be deemed to be issued by Bank of America in its individual capacity and shall no longer be subject to the terms and provisions of the Credit Agreement; and (b) Bank One and the Company will, as promptly as practicable after the Effective Date, use commercially reasonable efforts to cause the Existing Letters of Credit to be replaced by one or more Letters of Credit issued by Bank One under the Credit Agreement.

SECTION 5 Miscellaneous.

5.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the effectiveness of this Amendment, all references in the Credit Agreement and the other Loan Documents to "Credit Agreement" or similar terms shall refer to the Credit Agreement as amended hereby.

5.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

5.3 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York (without regard to principles of conflicts of laws, other than Title 15 of Article 5 of the New York General Obligations Law).

5.4 Successors and Assigns. This Amendment shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the respective successors and assigns of the Lenders and the Administrative Agent.

5.5 Pricing. Notwithstanding anything in the Credit Agreement to the contrary, from the date hereof through the date on which the Company delivers a compliance certificate for the Fiscal Year ending December 31, 2003 pursuant to Section 10.1.3 of the Credit Agreement, the Floating Rate Margin, the Eurodollar/Yen LIBOR Margin, the Commitment Fee Rate and the rate per annum applicable for Letter of Credit fees shall be determined by reference to Level II on Schedule 1.1 of the Credit Agreement.

Delivered as of the day and year first above written.

NU SKIN ENTERPRISES, INC

/s/ Ritch N. Wood
By: Ritch Wood, Chief Financial Officer

BANK ONE, NA (successor by merger to Bank One, Utah, NA), as Administrative Agent and as a Lender

By: /s/ Stephen A. Cazier
Title: First Vice President

Solely for purposes of Section 4:

BANK OF AMERICA, N.A.

/s/ Damel Denkar
By: Damel Denkar
Title: SVP

Exhibit A
CONFIRMATION

Dated as of May 10, 2004

To: Bank One, NA, individually and as Administrative Agent (as defined below), and the other financial institutions party to the Credit Agreement referred to below

Please refer to (a) the Credit Agreement dated as of May 10, 2001 (the “Credit Agreement”) among Nu Skin Enterprises, Inc., various financial institutions (the “Lenders”) and Bank One, NA, as successor administrative agent (in such capacity, the “Administrative Agent”); (b) the other “Loan Documents” (as defined in the Credit Agreement), including the Guaranty and the Pledge Agreement; and (c) the Third Amendment dated as of the date hereof to the Credit Agreement (the “Amendment”).

Each of the undersigned hereby confirms to the Administrative Agent and the Lenders that, after giving effect to the Amendment and the transactions contemplated thereby, each Loan Document to which such undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms.

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Ritch Wood, Chief Financial Officer

NU SKIN INTERNATIONAL, INC.
NU SKIN ENTERPRISES HONG KONG, INC.
NU SKIN TAIWAN, INC.
NU SKIN UNITED STATES, INC.
BIG PLANET, INC.
NSE KOREA LTD. (a Delaware corporation)

By: /s/ D. Matthew Dorny
D. Matthew Dorny, Vice President & Secretary

NSE KOREA LTD. (a Korean corporation)

By: /s/ Luke Yoo
Luke Yoo, President, Representative Director, and General Manager

SCHEDULE 1.1

PRICING SCHEDULE

The Floating Rate Margin, the Eurodollar/Yen LIBOR Margin, the Commitment Fee Rate and the rate per annum applicable for Letter of Credit fees, respectively, shall be determined in accordance with the table below and the other provisions of this Schedule 1.1.

	Level I	Level II	Level III
Eurodollar/Yen LIBOR Margin and fee for standby Letters of Credit	1.250%	1.500%	1.750%
Floating Rate Margin	0.250%	0.500%	0.750%
Commitment Fee Rate	0.375%	0.500%	0.625%

Level I applies when the Leverage Ratio is less than 1.00 to 1.0.

Level II applies when the Leverage Ratio is equal to or greater than 1.00 to 1.0 but less than 1.50 to 1.0.

Level III applies when the Leverage Ratio is equal to or greater than 1.50 to 1.0.

The applicable Level shall be adjusted, to the extent applicable, 45 days (or, in the case of the last quarterly fiscal period of any fiscal year, 90 days) after the end of each quarterly fiscal period, based on the Leverage Ratio as of the last day of such quarterly fiscal period; provided that if the Company fails to deliver the financial statements required by Section 10.1.1 or 10.1.2, as applicable, and the related certificate required by Section 10.1.3 by the 45th day (or, if applicable, the 90th day) after any quarterly fiscal period, Level III shall apply until such financial statements are delivered.

SCHEDULE 2.1

LENDERS AND PERCENTAGES

Lender	Commitment	Percentage
Bank One, NA	$25,000,000	100.000000000%

SCHEDULE 14.3

ADDRESSES FOR NOTICES

NU SKIN ENTERPRISES, INC.

75 West Center Street
One Nu Skin Plaza
Provo, Utah 54601
Attention: Brian Lords
Telephone: (801) 345-6014
Facsimile: (801) 345-6099

BANK ONE, NA, as Administrative
Agent, Issuing Lender and Lender

80 West Broadway, Suite 200
Salt Lake City, Utah 84101
Attention: Steve Cazier
Telephone: (801) 481-5139
Facsimile: (801) 481-5351

THIRD AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS THIRD AMENDMENT dated as of May 18, 2004 (this "**Third Amendment**") to the Note Purchase Agreement dated as of October 12, 2000, as amended through the date hereof (the "**Note Agreement**") is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), and The Prudential Insurance Company of America ("**Prudential**")

RECITALS

A. The Company and Prudential now desire to amend the Note Agreement in the respects, but only in the respects, hereinafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Agreement unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Third Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Third Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1. Amendments to Note Agreement

1.1 Section 10.4 of the Note Agreement is hereby amended in its entirety to read as follows:

"10.4 Minimum Consolidated Net Worth

The Company will not, at any time, permit Consolidated Net Worth to be less than the sum of (i) $220,661,800, (ii) an aggregate amount equal to (a) 50% of Consolidated Net Income (in each case to the extent a positive number) earned in the fiscal quarter ended March 31, 2004, and each subsequent fiscal quarter to and including the fiscal quarter ended December 31, 2005 and (b) 60% of Consolidated Net Income (in each case, to the extent a positive number) for each complete fiscal quarter thereafter, unless clause (iii) below is operative for any given fiscal quarter (in which case such fiscal quarter shall be excepted from this clause (b)), (iii) for the fiscal quarter ended March 31, 2006 and each fiscal quarter ended thereafter to but not including the fiscal quarter in which Total Indebtedness is first reduced to $120,000,000 or less, an aggregate amount

equal to 70% of Consolidated Net Income (in each case to the extent a positive number) earned in each such fiscal quarter, and (iv) 50% of the net proceeds realized by the Company and its Restricted Subsidiaries from (a) the sale of Equity Securities subsequent to December 31, 2003, excluding issuances of Equity Securities upon exercise of employee stock options or rights under any employee benefit plans (excluding such exercise by any Person that owns greater than 5% of the Equity Securities of the Company), (b) issuances of Equity Securities in connection with acquisitions by the Company and its Restricted Subsidiaries and (c) reissuances of up to $60,000,000 of treasury securities purchased by the Company after December 31, 2003.

1.2 The Note Agreement is further amended by adding thereto a new Section 10.11 as follows:

"10.11 Minimum Cash.

The Company covenants that at no time from March 31, 2004 through and including September 30, 2004 will Available Cash be less than $75,000,000 and that at no time from October 1, 2004 through and including December 31, 2005 will Available Cash be less than $90,000,000. For purposes hereof "Available Cash" shall mean the difference between (i) the amount of the consolidated cash and cash equivalents of the Company and Restricted Subsidiaries and (ii) the aggregate amount outstanding under revolving credit facilities on which the Company or any Restricted Subsidiaries are obligated as borrowers or guarantors."

1.3 Schedule A of the Note Agreement is hereby further amended by amending and restating the definition of "Consolidated Net Worth" in the following manner:

"**Consolidated Net Worth**" means, at any time, (a) the consolidated stockholders' equity of the Company and the Restricted Subsidiaries, as defined according to GAAP, less (b) the sum of (i) to the extent included in clause (a), all amounts attributable to minority interests, if any, in the securities of Restricted Subsidiaries, and (ii) the amount by which Restricted Investments exceed 20% of the amount determined in clause (a).

Section 2. Representations and Warranties and Covenants of the Company.

2.1 To induce Prudential to execute and deliver this Third Amendment (which representations shall survive the execution and delivery of this Third Amendment), the Company represents and warrants to Prudential that:

(a) this Third Amendment has been duly authorized, executed and delivered by it and each Guarantor Subsidiary which is a signatory hereto and this Third Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) the Note Agreement, as amended by this Third Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance by the Company of this Third Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of laws, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c); and

(d) as of the date hereof and after giving effect to this Third Amendment, no Default or Event of Default has occurred which is constituting.

Section 3. Conditions to Effectiveness of This Amendment. This Third Amendment shall become effective as of the date hereof upon the delivery to Prudential of executed counterparts of this Third Amendment, duly executed by the Company, the Subsidiary Guarantors named as signatories hereto and the Required Holders.

Section 4. Miscellaneous.

4.1. This Third Amendment shall be construed in connection with and as part of the Note Agreement, and except as modified and expressly amended by this

Third Amendment, all terms, conditions, and covenants contained in the Note Agreement and the Notes are hereby ratified and shall be and remain in full force and effect.

4.2 Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Third Amendment may refer to the Note Agreement without making specific reference to this Third Amendment but nevertheless all such references shall include this Third Amendment unless the context otherwise requires.

4.3 The descriptive heading of the various Sections or parts of this Third Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

4.4 This Third Amendment shall be governed by and construed in accordance with the laws of the State of New York.

4.5 The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Third Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

/s/ Stephen J. De Martini
By: Stephen J. De Martini
Its: Vice President

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Name: Ritch Wood
Its: Chief Financial Officer

The undersigned Subsidiary Guarantors hereby consent and agree to the foregoing and to the First Amendment, dated May 1, 2002, and the Second Amendment dated October 31, 2003, to the Private Shelf Facility.

NU SKIN ENTERPRISES HONG KONG, INC.,
a Delaware corporation
NU SKIN INTERNATIONAL, INC.,
a Utah corporation

NU SKIN UNITED STATES, INC.,
a Delaware corporation
BIG PLANET, INC.,
a Delaware corporation
NSE KOREA LTD.,
a Delaware corporation

By: /s/ D. Matthew Dorny
Name: D. Matthew Dorny
Its: Vice President

NSE KOREA LTD.,
a Korean corporation

By: /s/ Luke Yoo
Name: Luke Yoo
Its: President, Representative Director and General Manager

SECOND AMENDMENT TO PRIVATE SHELF AGREEMENT

THIS SECOND AMENDMENT dated as of May 18, 2004 (this "**Second Amendment**") to the Multi-Currency Private Shelf Agreement dated as of August 26, 2003 (as amended to date, the "**Private Shelf Facility**") is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), on the one hand, and Prudential Investment Management, Inc. and the holders of the Series A Senior Notes and Series B Senor Notes issued under the Private Shelf Facility that are signatories hereto (collectively, "**Prudential**"), on the other hand.

RECITALS

A. Pursuant to the request of the Company, the Company and Prudential now desire to amend the Private Shelf Facility in the respects, but only in the respects, hereinafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Private Shelf Facility unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Second Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Second Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1. Amendments to Private Shelf Facility

1.1 Section 10.4 of the Private Shelf Facility is hereby amended in its entirety to read as follows:

"10.4 Minimum Consolidated Net Worth

The Company will not, at any time, permit Consolidated Net Worth to be less than the sum of (i) $220,661,800, (ii) an aggregate amount equal to (a) 50% of Consolidated Net Income (in each case to the extent a positive number) earned in the fiscal quarter ended March 31, 2004, and each subsequent fiscal quarter to and including the fiscal quarter ended December 31, 2005 and (b) 60% of Consolidated Net Income (in each case, to the extent a positive number) for each complete fiscal quarter thereafter, unless clause (iii) below is operative for any given fiscal quarter

(in which case such fiscal quarter shall be excepted from this clause (b)), (iii) for the fiscal quarter ended March 31, 2006 and each fiscal quarter ended thereafter to but not including the fiscal quarter in which Total Indebtedness is first reduced to $120,000,000 or less, an aggregate amount equal to 70% of Consolidated Net Income (in each case to the extent a positive number) earned in each such fiscal quarter, and (iv) 50% of the net proceeds realized by the Company and its Restricted Subsidiaries from (a) the sale of Equity Securities subsequent to December 31, 2003, excluding issuances of Equity Securities upon exercise of employee stock options or rights under any employee benefit plans (excluding such exercise by any Person that owns greater than 5% of the Equity Securities of the Company), (b) issuances of Equity Securities in connection with acquisitions by the Company and its Restricted Subsidiaries and (c) reissuances of up to $60,000,000 of treasury securities purchased by the Company after December 31, 2003.

1.2 The Private Shelf Facility is further amended by adding thereto a new Section 10.11 as follows:

"10.11 Minimum Cash.

The Company covenants that at no time from March 31, 2004 through and including September 30, 2004 will Available Cash be less than $75,000,000 and that at no time from October 1, 2004 through and including December 31, 2005 will Available Cash be less than $90,000,000. For purposes hereof "Available Cash" shall mean the difference between (i) the amount of the consolidated cash and cash equivalents of the Company and Restricted Subsidiaries and (ii) the aggregate amount outstanding under revolving credit facilities on which the Company or any Restricted Subsidiaries are obligated as borrowers or guarantors."

1.3 Schedule A of the Private Shelf Facility is hereby further amended by amending and restating the definition of "Consolidated Net Worth" in the following manner:

"**Consolidated Net Worth**" means, at any time, (a) the consolidated stockholders' equity of the Company and the Restricted Subsidiaries, as defined according to GAAP, less (b) the sum of (i) to the extent included in clause (a), all amounts attributable to minority interests, if any, in the securities of Restricted Subsidiaries, and (ii) the amount by which Restricted Investments exceed 20% of the amount determined in clause (a).

Section 2. Representations and Warranties and Covenants of the Company.

2.1 To induce Prudential to execute and deliver this Second Amendment (which representations shall survive the execution and delivery of this Second Amendment), the Company represents and warrants to Prudential that:

(a) this Second Amendment has been duly authorized, executed and delivered by it and each Guarantor Subsidiary which is a signatory hereto and this Second Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) the Private Shelf Facility, as amended by this Second Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance by the Company of this Second Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of laws, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c); and

(d) as of the date hereof and after giving effect to this Second Amendment, no Default or Event of Default has occurred which is constituting.

Section 3. Conditions to Effectiveness of This Amendment. This Second Amendment shall become effective as of the date hereof upon the delivery to Prudential of executed counterparts of this Second Amendment, duly executed by the Company, the Subsidiary Guarantors named as signatories hereto and the Required Holders.

Section 4. Miscellaneous.

4.1. This Second Amendment shall be construed in connection with and as part of the Private Shelf Facility, and except as modified and expressly amended by this Second Amendment, all terms, conditions, and covenants contained in the Private Shelf Facility and the Notes are hereby ratified and shall be and remain in full force and effect.

4.2 Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Second Amendment may refer to the Private Shelf Facility without making specific reference to this Second Amendment but nevertheless all such references shall include this Second Amendment unless the context otherwise requires.

4.3 The descriptive heading of the various Sections or parts of this Second Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

4.4 This Second Amendment shall be governed by and construed in accordance with the laws of the State of New York.

4.5 The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Second Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/ Stephen J. De Martini
Its: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Stephen J. De Martini
Its: Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ Stephen J. De Martini
Its: Vice President

BAYSTATE INVESTMENTS, LLC
Prudential Private Placement Investors,
L.P., as Investment Advisor
By: Prudential Private Placement Investors,
Inc., General Partner

By: /s/ Stephen J. De Martini
Its: Vice President

GOLDEN AMERICAN LIFE INSURANCE COMPANY
Prudential Private Placement Investors, L.P., as Investment Advisor
By: Prudential Private Placement Investors, Inc., General Partner

By: /s/ Stephen J. De Martini
Title: Vice President

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch Wood
Name: Ritch Wood
Its: Chief Financial Officer

The undersigned Subsidiary Guarantors hereby consent and agree to the foregoing and to the First Amendment, dated October 31, 2003, to the Private Shelf Faciliity.

NU SKIN ENTERPRISES HONG KONG, INC.,
a Delaware corporation
NU SKIN INTERNATIONAL, INC.,
a Utah corporation
NU SKIN TAIWAN, INC.,
a Utah corporation
NU SKIN UNITED STATES, INC.,
a Delaware corporation
BIG PLANET, INC.,
a Delaware corporation
NSE KOREA LTD.,
a Delaware corporation

By: /s/ D. Matthew Dorny
Name: D. Matthew Dorny
Title: Vice President

NSE KOREA, LTD.,
a Korean corporation

By: /s/ Luke Yoo
Name: Luke Yoo
Title: President, Representative Director and General Manager

THIS IS AN ENGLISH TRANSLATION FROM THE ORIGINAL CHINESE LANGUAGE DOCUMENT

Lease Contract

For

Standard Factory Building

Party A: Shanghai Jin Qiao Export Processing Zone south area

Party B: Nu Skin Asia Investment, Inc.

January 16th, 2004

in Shanghai

Parties to this *Lease Contract for Standard Factory Building* shall be as follows:

Party A: Shanghai Jin Qiao Export Processing Zone (SA) Development & Construction Co., Ltd.
Address: No. 5001 Hua Dong Rd, Pu Dong Shanghai
Legal Representative: Zhang Guanming

Party B: Nu Skin Asia Investment, Inc.
Address: 1013 Center Road, Wilmington, Delaware 19805 U.S.A.
Legal Representative: Truman Hunt

Whereas Party A is the lawful owner of the leased Premise under the Contract (contained in "Definition"). Party A intends to lease the Premises to Party B and Party B intends to lease the Premises from Party A.

Therefore, according to *"PRC, Contract Law", "PRC Administration of Urban Real Estate", "Measures on Lease of Urban Housing", "Bylaw of Implementation of Opinion of Shanghai Municipal Measures on Lease of Urban Housing", "Regulations of Shanghai Municipality on Urban Housing"* and other relevant regulations as well as with reference to practice carrying out in China and development zones of Shanghai Municipality, through consultations, the Parties hereby agree (herein after referred to as "the Contract") in the matter of lease of the Premises as follows:

1. Definition

1.1 Leased Factory building under this Contract means the premises on No. 3 of the Land to the Standard Factory Building which shall be located within Block 11 Room 203-206 in Shanghai Jin Qiao Export Processing Zone (South Area) (* T3-11, Room 203-206) with total 4,984 square meters building area, which will be subject to the measurement by the government. Its geographical location and structure are set forth as in Exhibit I "Technological Index Specification of the Buildings of the Standard Factory Building ".

1.2 Property Management Company means the property Management Company that has executed the property management contracts with landlords of where the Premises are located and shall be responsible for the property management.

1.3 Related Facilities means the following two parts, unless otherwise specified:

(a) Pipelines of electricity, water, telecommunications and gas supplies; and

(b) Pipelines and connection points of rainwater and sewage discharge.

The Related Facilities mentioned in the Contract are set forth as in Exhibit II. "Confirmation to the Leased Related Facilities in Connection with the Standard Factory Building".

1.4 Private Use Area means the production site, switchboard station, toilets, kitchenettes, auxiliary rooms and interior walls inside the Standard Factory Building for Party B's use under the Contract.

1.5 Common Use Area means water pump metering box, unloading platform, passageway, bearing structure, exterior walls and ceiling inside the Standard Factory Building and commonly used by the landlords and lessees of the Standard Factory Building. Party B shall not possess and use the common use area by itself exclusively.

1.6 Common Use Equipment means the water supply pipes, sewage disposal pipes, rain water drainage pipes, lighting installation, rubbish disposal channels, water tanks, water pumps, lighting arresters and fire-fighting equipment inside one factory building commonly used by landlords and lessees.

1.7 Common Use Facilities means the open roads, green space, parking lots, road lamps, sewage disposal pipes, inspection wells, septic tanks and garbage cabins inside one property management area commonly used by landlords and lessees.

1.8 Bearing structure means the basement, bearing walls, beams and pillars, ceilings and roofs of the factory buildings.

1.9 Calendar Year means from April 1st of the preceding year to March 31st of the following year.

2. Legal Status of the Parties

2.1 As evidenced by the copy of the business license provided by Party A and attached hereto as Exhibit III, Party A shall be an economic entity involving exploitation and development of the land and carrying out business management in Shanghai Jin Qiao Export Processing Zone (SA) Party A has been established upon approval by the State as a Chinese legal person.

2.2 Party B shall be established upon approval by the United States as a legal entity. Party B will establish a foreign investment enterprise in Shanghai Jin Qiao Export Processing Zone. Above foreign investment enterprise shall be established upon approval by the State as a Chinese legal economic entity and its business scope shall include in electron optics test instrument for medical and healthcare products.

2.3 Commencing from the establishment date of the foreign investment enterprise. Party A and Party B agree that Party B’s rights and obligations under the Contract shall be transferred to the enterprise which will lease the Standard Factory Building hereunder. Party A and Party B shall conclude such change in agreement with the foreign investment enterprise, while the remaining terms of the contract are not changed. Except that Party B abandons the project of establishing new company or does not take out the related documents such as business license that have already been approved by the government on purpose, provided Party B can not be established upon approval by Chinese government in 3 months after the contract goes into effect,

Party B shall notify Party A in writing. Through Party A’s efforts, Party B still can not be established upon approval by the State, Party B can notify Party A in writing to terminate the contract without bearing legal liability.

3. Use of the Leased Factory building

3.1 Party A has provided to Party B the copy of the "Shanghai Municipal Real Estate Ownership Certificate”(Certificate number: hupuguijianjinnan(2003)(002) of the Leased Factory Building and attached hereto as Exhibit VI. The Leased Premise shall be used for production and operation. Party A shall promise to provide “Shanghai House Property Right Certificate” before December 31, 2004. Within the term of the lease contract, Party A shall compensate Party B all losses due to Party A’s failure to obtain the house property right certificate.

3.2 Party B shall undertake to Party B that the Leased Factory Building is solely used by Party B for production.

3.3 Party B shall not change the use of the Leased Factory Building during the lease term without written consent of Party A and subject to check and ratification by the relevant departments pursuant to relevant regulations.

4. Term of Lease

4.1 The term of Party B’s lease of the Leased Factory Building shall be 3 years, commencing from April 1, 2004 herein after referred to as “Commencement Date”) to March 31, 2007 (herein after referred to as “Expiration Date”).

4.2 Party B shall enjoy the right to use the Leased Factory Building during the lease term. Law of the State shall protect party B’s lawful rights and benefits.

4.3 In consideration of extension of Party B, Party A will remain T11-201,202 for Party B. The remaining term will be 6 months after the date that the contract is signed. If Party A wants to lease these 2 neighboring units to another party, Party A shall provide written notice to Party B one month in advance. Under the specified rental article under this lease contract, Party B has the lease priority. Party B shall provide written notice to Party A. Party A will consider Party B’s abstain of the priority in case Party B does not reply to Party A within 15 days after Party B receives such notice.

5. Rent of the Leased Factory Building, Management Charge and Method of Payment

5.1 The rent of the Leased Factory Building shall be 0.65 RMB per square meter building area per day and the monthly rental shall be 98537.83 RMB for 4,984 square meters of building area. The monthly management charge shall be 2 RMB per square meter building area and the total monthly management shall be 9968 RMB.

5.2 Within fifteen days upon execution of the Contract, Party B shall pay to Party A earnest money equivalent to the rent for two months, amounting to 197075.66 RMB. Starting from the date of Party A’s delivery of the Leased Factory Building to Party B, the said earnest money shall be refunded into security deposit. Provided that Party A fails to deliver the Leased Factory Building to Party B or the Contract does not come into effect due to Party B’s reason, the earnest money paid by Party B shall not be refunded.

5.3 The rental will be calculated from the Commencement Date. Party B shall remit every 3 months rent of RMB 295613.49 before the 15th of January, April, July and October to the bank account designated by Party A. *

5.4 The rent shall not be changed for three Calendar Years from the Commencement Date of the lease. Starting from the fourth calendar year, the rent may be changed once every three Calendar Years, provided that change of the rent shall not exceed five percent (5%) of the total amount of the rent of the preceding Calendar Year.

5.5 The management charge shall be paid at the date of delivery of the Leased Factory Building. The management charge calculated from the date of delivery of the Premises to the ending date of such month shall be directly paid to the Property Management Company at the date of delivery of the Leased Factory Building. Party B shall directly pay the management charge for the following month before the fifteen date of such month. The bank account of the Property Management Company shall be: Shanghai Xin Jin Qiao Property Management Co., Ltd., Agricultural Bank Jin Qiao branch integrated business department, 033432-10801021367.

5.6 Party B can pay the rental by the currency of RMB or US dollar. Provided paid by US dollar, Party B shall bear bank service fee. Exchange rate will be calculated as the US versus RMB medium price issued by China Bank on the remittance date. Provided the remittance date is not the business date, the exchange rate shall be calculated by the rate before the remittance date.

6. Other Charges of the Leased Factory Building and Method of Payment

6.1 Party B's use of the Related Facilities shall be subject to the provisions of the "Confirmation to the Leased Related Facilities in Connection with the Standard Factory Building" attached hereto as Exhibit II.

6.2 Party B shall pay the charges arising out from use of water, electricity, gas and sewage discharge. The electricity charge of the Private Use Area of Party B shall be paid directly to the electricity supply department, and that of the Common Use Area shall be paid by Party B in proportion to its building area after the Property Management Company pays for it. The Property Management Company shall pay the water charge for Party B. In case of use of water by Party B, it shall pay the water charge to the Property Management Company in compliance with the separate metering of Party B, and shall also share the difference of the readings on the general metering and all separate metering in the Premises area on a pro-rata basis for Party B's water consumption to total water consumption in the Premises area. Party B shall pay its communication expenses directly to the Telecommunication Bureau.

6.3 During the lease term, Party A shall provide Party B free of charge with parking spots for four cars.

6.4 The payment procedure provided for in Article 6.1 hereof to Article 6.6 hereof and the detailed rules on charges and use of the Related Facilities shall be referred to Exhibit VII "User Guide to the Standard Factory Building in Shanghai Jin Qiao Export Processing Zone".

7. Hand over of the Leased Factory Building

7.1 Party A shall hand over the Leased Factory Building to Party B by February 1, 2004.

7.2 Within three days before hand-over of the Leased Factory Building, Party A shall submit Party B an occupation notice similar to that set forth as in Exhibit VIII "Occupation Notice (sample)", notifying Party B of going through occupation procedure so as to hand over the Leased Factory Building. Party B shall send its personnel at the date of hand-over. In the event that Party B is absent for longer than fourteen days and fails to require Party A to hand over the Leased Factory Building in writing, the Leased Factory Building shall be deemed as to have been handed over for Party B's use from the date of hand-over.

7.3 Party A and Party B shall sign on the hand-over document similar to that set forth as in Exhibit IX "Hand-over of the Standard Factory Building (sample)" at the date of the hand-over, showing completion of such hand-over.

8. Sublease

8.1 Unless otherwise specified, Party B's sublease of the Leased Factory Building shall be only for the need of Party B's production and operation. Nevertheless, with Party A's content in writing, Party B can, part or in whole, sublease the Leased Factory Building to any third party. The rent of sublease can not be higher than the rent specified in this contract. In case the rent of sublease is higher than the rent specified in the contract, both parties shall share the part, which is higher than the specified rent, after negotiation. Party B shall provide the formal sublease contract to Party A.

9. Other rights and obligations

9.1 During the lease term, Party B shall consult with the Property Management Company about provision of such logistic services as guards, cleaning, greenification and maintenance to Party B's Private Use Area, and relevant entrustment contract shall be entered into between Party B and the Property Management Company. Party B may also designate a company to provide the logistic services by means of invitation and tendering of bid. The Property Management Company hereunder shall be entitled to participate in invitation and

9.2 Party B shall not damage the Related Facilities in any manner. In case of any damage, Party B shall be liable to restore to the original state and bear all expenses.

9.3 During the lease term, Party A shall give notice in advance to Party B in the event that Party B needs to work on the Related Facilities in connection with the Leased Factory Building. In case of damages caused to Party B's machines and equipment, Party A shall be liable to restore to their original state and bear all expenses.

9.4 Party A shall be responsible to maintenance and repair the Leased Factory Building due to natural damages. According to the period of maintenance and repair, Party A shall carry out such work at the specified time and within the scope of maintenance. The person who is liable for man-made destructions and damages shall be responsible to repair and restore or compensate corresponding financial losses.

9.5 During the lease term, Party B shall be prohibited from destroying the Leased Factory Building, the equipment and Related Facilities, changing the use of the Leased Factory Building, tearing down and construction without authorization or damaging the structure of the Leased Factory Building.

9.6 If Party B needs to partition, finish and/or partially restructure the Leased Factory Building during the lease term, Party B shall obtain Party A's prior written consent; comply with the procedures set forth as in Exhibit VII and shall be approved by the Property Management Company. Party B shall not, for the said activities, violate relevant regulations and rules of the State and Shanghai Municipal Government in respect of architect, fire fighting, environmental protection, industry and public health. Party B shall not destroy the structure of the Leased Factory Building and the Standard Factory Building wherein the Leased Factory Building are located. Relevant government departments, Party A and the Property Management Company shall have the right to supervise and inspect Party B and require Party B to rectify. Meanwhile, Party B shall not damage the structure of the Leased Factory Building, and shall restore the structure to original state and bear all expenses for any damage or change caused to the structure. Party B shall by itself bear the expenses arising out from partition, finishing and/or partial destruction as well as maintenance and repair work.

9.7 The purchasers and/or lessees who inhabit the same building of the Standard Factory Building shall not for any reason whatsoever occupy the Common Use Area and other areas beyond limits of the Leased Factory Building. In order not to affect the normal use of the Standard Factory Building, Party B shall obtain consent of the neighboring users in case of involving the areas possessed by neighboring landlords or users when Party B installs the facilities such as equipment and pipelines. In case of violation of this provision, Party B shall, at its own expenses, remove obstacles and restore to the original state.

9.8 No building shall be joined to the exterior walls and the roof of the Lease Premises and the Standard Factory Building wherein the Leased Factory Building is located. In particular circumstances, Party A's prior written consent shall be obtained.

9.9 Party B shall keep environment and public health in good conditions pursuant to relevant laws, regulations and rules of the State and Shanghai Municipality.

9.10 Management of relevant Common Use Area and the environment of the area wherein the Standard Factory Building are located shall be handled in accordance with the "Rules on Use, Management and Maintenance of the Standard Factory Building in Shanghai Jin Qiao Export Processing Zone" attached hereto as Exhibit X.

9.11 Party A shall be responsible for matters with respect to public health, greenification and maintenance outside the Leased Factory Building.

9.12 During the lease term, Party B shall enjoy the preemptive right under the same condition if Party A intends to sell the Leased Factory Building. Party A shall give written notice to Party B one month in advance with respect to Party A's intention to sell the Leased Factory Building, and Party B shall reply in writing to Party A within fifteen days upon receipt of such written notice. Party B shall be deemed as to give up purchasing the Leased Factory Building if Party B fails to reply in written form.

10. Extension and Termination of the Contract

10.1 Party B may apply for an extension if Party B intends to continue the lease upon expiration of the lease term. In case of Party B's application, the following conditions shall be satisfied:

(a) A written application for extension to be delivered to Party A no later than three months before the lease term expires;

(b) If the time of extension exceeds the time of business term, Party B shall submit the document approved by the investment examination and approval department for extension of the business term. Such document shall be delivered to Party A simultaneously with the application in the preceding provision.

10.2 After Party B submits an application for extension according to Article 10.1 hereof, Party A shall not make promise of binding force upon any third party with respect to lease issues of the Leased Factory Building before the lease term expires.

10.3 After Party B submits an application for extension and obtains Party A's consent, the Parties may conclude a new "Standard Factory Building Lease Contract" with reference to this Contract. The Contract shall continue to be valid from the termination date to the validity date of the new "Standard Factory Building Lease Contract", and the Parties shall continue to perform the Contract. This Contract shall terminate if the Parties are unable to reach the new "Standard Factory Building Lease Contract" within six months from expiration of the lease term, unless the parties conclude a written agreement with respect to intention to continue consultations on extension of the lease term. Such termination date shall be the first day of the seventh month from expiration of the lease term.

10.4 If any party to the Contract needs to early terminate the Contract for specific reasons, it shall give a written notice to the other party three months in advance. The Parties may early terminate the Contract subject to mutual consent.

10.5 In the event that Party A fails to deliver the Leased Factory Building on schedule for longer than sixty days, Party B shall have right to unilaterally terminate the Contract in writing. In the event that Party B fails to pay the rent or other charges on schedule for longer than sixty days, Party A shall have right to unilaterally terminate the Contract in writing. With the Notary Public present, Party A shall be entitled to remove all articles belonging to Party B such as equipment and machines in the Leased Factory Building in absence of Party B and with expenses resulting from such removal and preservation of the articles borne by Party B. In the event that any party terminates the Contract according to the preceding provision, the termination date shall be the second day from the date of sending a written notice by any party.

10.6 In the event that Party B does not extend the lease term upon expiration or terminates the Contract pursuant to Article 10.3 hereof to Article 10.5 hereof, Party B shall deliver the Leased Factory Building to Party A on the second day from the date of expiration or termination. If it is really difficult for Party B to deliver the Leased Factory Building, Party B may be given a grace period of two months to such delivery subject to Party A's prior written consent. During the grace period, Party B shall pay to Party A the rent equivalent to the rent of the month in which the termination date falls on a month by month basis, the management charge and other charges hereunder. The procedures of Party A's returning of the Leased Factory Building are as listed in Exhibit VII and the following conditions shall be satisfied:

(a) Party B shall restore to the state prior to partition, finishing and/or partial reconstruction, if any;

(b) Party B shall be liable to repair or compensate with respect to the area, equipment or the Related Facilities in man-made damages;

(c) deemed as qualified following Party A's check and acceptance;

(d) returning of the Leased Factory Building in whole, including keys and passwords, etc.

10.7 If Party B fails to deliver the Leased Factory Building on schedule without Party A's prior written consent, in addition to the liquidated damages to be paid pursuant to the Contract, Party B shall pay to Party A the rent equivalent to the rent of the month in which the expiration date falls on a month by month basis (subject to one month if less than one month), the management charge and other charges.

11.1 Breach of the Contract

11.1 Unless otherwise stated in the context, any of the following condition shall constitute breach of the Contract by Party A:

(a) failure in providing the Leased Factory Building on schedule;

(b) provision of the Leased Factory Building without satisfying the conditions prescribed in the Contract;

(c) losses caused to Party B's normal production and business activities due to work in the Leased Factory Building without prior notice to Party B;

(d) early termination of the contract without the authorization;

(e) the property documents provided by Party A are invalid for Party B to apply a business license, or there is the third party that had already applied a business license using these units of T11-203-206 as their registered address and such business license of the third party had not been cancelled before Party A leases the houses to Party B; or

(f) is in violation of other articles hereof.

11.2 Unless otherwise stated in the context, any of the following condition shall constitute breach of the Contract by Party B:

(a) sublease of the Leased Factory Building without Party A's consent;

(b) losses caused to Party A due to damages to the Related Facilities;

(c) damages to the Leased Factory Building or changes of its structure without authorization;

(d) failure in returning of the Leased Factory Building to Party A according to the provisions;

(e) violation of other articles.

11.3 The defaulting party shall pay the liquidated damages to the other party. The liquidated damages per day shall be as follows:

(a) the liquidated damages per day shall be 0.1 per cent of the total rent for one year, say 1182.45 RMB;

(b) breach period equals the days from occurrence of the breach to rectification of the breach;

(c) the liquidated damages equal the liquidated damages per day multiplied by the days in the breaching period.

(d) during the lease term, if Party A wants to early terminate the contract without authorization, Party A shall compensate all losses that Party B has invested in the beginning to the workshop (fit-up the building, fixed capital, etc.) beside the liquidated damages. The property documents provided by Party A are invalid for Party B to apply a business license, or there is the third party that had already applied a business license using these units of T11-203-206 as its registered address and such business license of the third party had not been cancelled before Party A leases the houses to Party B, Party A shall return all money that paid by Party B. If the

financial losses incurred to other party exceed the amount of the liquidated damages, the breaching party shall compensate the deficiency. The compensation shall be based on the extent of the financial losses, and jointly checked and determined by the Parties. Such compensation may also be checked and determined by a professional authority jointly entrusted by the Parties, or be prosecuted to court directly.

11.4 After the breach occurs, the non-defaulting party requires to continue the Contract, the defaulting party shall continue to performance the contract, no matter whether the liquidated damages and compensation have been actually paid or not.

11.5 The liquidated damages and compensation shall be paid no later than ten days after realization of the breach. If the breach still continues to exist upon payment and afterwards, the defaulting party shall to pay the liquidated damages and compensation until the breach disappears.

11.6 Any condition satisfying the following items shall be deemed as overdue payment based on 0.3 per cent of the outstanding sum for each day elapsed:

(1) Party B fails to pay the rent of the Leased Factory Building, the management charge and other charges when due;

(2) Any party fails to pay the liquidated damages and compensation on time.

12. The Contract

12.1 The Exhibits shall be integral part of the Contract and equally valid.

12.2 The Exhibits shall include:

(a) Exhibit I: Sales Instruction on the Standard Factory Building ("Technological Index Specification of Buildings of the Standard Factory Building");

(b) Exhibit II: Confirmation to the Related Facilities in Connection with the Standard Factory Building;

(c) Exhibit III: Copy of Party A's Business License;

(d) Exhibit IV: Copy of Party B's Business License;

(e) Exhibit V: Copy of Shanghai Municipal Real Estate Ownership Certificate;

(f) Exhibit VI: User Guide to the Standard Factory Building in Shanghai Jin Qiao Export Processing Zone;

(g) Exhibit VII: Occupation Notice (sample);

(h) Exhibit VIII: Hand-over of the Standard Factory Building (sample);

(i) Exhibit IX: Rules on Use, Management, Maintenance of the Standard Factory Building in Shanghai Jin Qiao Export Processing Zone;

(j) Exhibit X: Free Parking Site

13. Miscellaneous

13.1 Party A promises that the new company of Party B at Jinqiao will enjoy all preference policies of Export Processing Zone. And the detail policies will be subject to “Export Processing Zone Policy” issued by the Ministry of State Council and Customs Head Office.

13.2 Both parties shall be discharged of liabilities for losses due to force majeure. In case of failure in performance of the Contract upon agreed conditions, the affected party by force majeure shall immediately notify the other party, and provide within fifteen days valid documents describing details of such force majeure or reasons for non-performance in whole or in partial, or delays in performance. Both parties may, through consultations, decide to terminate the contract, to discharge partial obligations of performance or to delay performance pursuant to extent of the influence of force majeure on performance of the Contract.

13.3 During the lease term, relevant regulations of the State shall be applicable to the neighborhood relationship between Party B and other parties.

13.4 All disputes arising out during the course of performance of the Contract shall be settled by both parties through consultations. In case no agreement can be reached through consultations, they shall be brought before the People’s Court where the Leased Factory Building is located. Unless otherwise stated, any party shall not suspend or terminate performance of the obligations hereunder during the course of occurrence and settlement of the disputes.

13.5 In case of anything not addressed in this Contract, both parties may reach another written agreement through consultations. Such agreement shall become part of the Contract and shall be of equal validity. Subject to mutual agreement, both parties may amend the Contract, and shall perform the Contract before the amended contract becomes effect.

13.6 The Contract shall come into effect subject to signing by the representatives or duly authorized representatives of the two parties and payment of all earnest money by Party B pursuant to provisions of the Contract.

13.7 After the Contract comes into effect, both parties shall amend the Contract in time so as to protect their lawful rights and benefits from damages if the laws, rights or regulations governing the Contract are amended by the State or Shanghai Municipality or newly promulgated with restorative effect.

13.8 The Contract shall be written in Chinese.

13.9 Execution, effectiveness, interpretation, performance of the Contract and settlement of disputes in connection with the Contract shall be governed by the laws of People’s Republic of China.

13.10 The Contract shall be executed in five copies. Party A and Party B shall keep two copies respectively and relevant Real Estate Registration Department shall keep one copy.

13.11 In witness thereof, the Contract is executed by Party A and Party B on January 7, 2004, in Shanghai.

Party A: Shanghai Jin Qiao Export Processing Zone

Legal representative or authorized representative:
/s/ Zhang Guanming
Zhang Guanming

Party B: Nu Skin Asia Investment, Inc.

Legal representative or authorized representative:
/s/ Luiz Cerqueira
Luiz Cerqueira

Exhibit II

Confirmation
To
the Leased Related Facilities in Connection with the Standard Factory Building

1. General Description of the Standard Factory Building

1.1 Number of the Standard Factory Building: T3-I1

1.2 Location: No. 218 Zhongyang Da Dao, Shanghai Jinqiao Export Processing Zone South Area

1.3 Stories: Unit 203-206

1.4 Building area: 4,984 square meters building area, which will be subject to the measurement by the government.

2. Basic Conditions

2.1 The Standard Factory Building have been constructed by Party A (the Lessor) in accordance with requirements for layout, design and construction drawing approved by government.

2.2 Roads wherein the Standard Factory Building are located, rainwater and sewage discharge system are connected to the urban roads and rainwater and sewage pipelines.

2.3 A low-voltage switchboard station has been constructed in the region of the Standard Factory Building.

2.4 Pipelines for electricity, water and gas supplies and telecommunications have been lead to the Standard Factory Building.

2.5 The Standard Factory Building will be subject to inspection and acceptance by construction authority of the Municipal Government.

3. Electricity Supply

3.1 The maximum capacity (MD) of this building/floor/unit of the Standard Factory Building shall be 10 KV, says: the capacity of machinery installation shall be 320 KVA.

3.2 A high-voltage switchboard station will be specified by Party A and will be constructed in the region of the measurement room and its neighboring metering room within unit 105 of the same building. The high-voltage station area is around 64 square meters building area. Party B shall pay this high-voltage station room as the rental specified in the lease contract.

3.3 Party B shall apply for electricity supply to Electricity Supply Bureau by itself and bear the set-up expenses of transformer station. Among these expenses, Party A will bear the part of structure transforming construction and outside connection from 10 KV transformer station to Party B’s high-voltage station. Party A will assist Party B in application for the electricity supply. Party B shall apply for the electricity supply at least 90 business days before it uses electricity.

3.4 The property right of the facilities/equipment that were purchased by Party B belongs to Party B. The property right of the outside connection cables belongs to Party A.

4. Water Supply

4.1 The maximum capacity of water supply to this building/floor/unit of the Premises shall be 4 T /D.

4.2 The Property Management Company of the Standard Factory Building agrees that Party B shall be responsible for handling relevant procedures.

5. Communication

5.1 The maximum capacity of the Standard Factory Building shall be 10 telephones per unit and total 40 telephones for 4 units.

5.2 32 telephones shall be the maximum quantities for Party B to employ.

5.3 Party B shall be responsible to submit application to telecommunication department and go through installation and connection procedures. Party A shall bear the expenses arising out from installation, connection and the first installation.

5.4 The communication functions like EDI, VSAT, DDN and ISDN will be provided in the Standard Factory Building with necessary equipment and engineering expenses borne by Party B.

6. Miscellaneous

6.1 There shall be 4 lots for motor vehicles in the building/floor/unit of the Standard Factory Building.

6.2 Installation group for outdoor air conditioning units shall be determined by negotiating with Property Management Department.

6.3 Where Party B proposes other specific requirements for the public facilities and accessories, Party A is willing to provide necessary assistance and support.

6.4 After Party A transfers the Standard Factory Building to Party B, Party B has the property right of all facilities/equipment that will be set-up in the building including air conditioner, lighting installation, distribution equipment, production equipment, fit-up, office equipment, security monitors and logistic equipment, etc.

6.5 This confirmation shall be attached to the Standard Factory Building Lease Contract. Both the lease contract and the confirmation are equally authentic.

Party A: Shanghai Jin Qiao Export Processing Zone

Legal representative or authorized representative:
/s/ Zhang Guanming
Zhang Guanming

Party B: Nu Skin Asia Investment, Inc.

Legal representative or authorized representative:
/s/ Luiz Cerqueira
Luiz Cerqueira

Date: 2004/01/16

**THIS IS AN ENGLISH TRANSLATION FROM
THE ORIGINAL CHINESE LANGUAGE DOCUMENT**

Agreement for the Transfer/Assignment of Lease Contract

Party A: Shanghai Jinqiao Export Processing District (South District) Development & Construction Company Limited
Party B: Nu Skin Asia Investment, Inc.
Party C: Pharmanex LLC

Re: Jianqiao Factory

Clause 1: With effect from 1 April 2004, Party B will transfer all the rights and obligations to Party C under to the lease contract. Party C agreed the said transfer. Party A agreed the transfer of rights and obligations related to the lease contract between Party B and Party C.

Clause 3: Party A agreed that the contract terms which have already been performed by Party B will be deemed to be done by Party C. Party A agreed the deposit of RMB197075.66 which has already been paid by Party B will be deemed to be the deposit paid by Party C to Party A. This will be returned to Party C by Party A once the lease contract is terminated.

Signed by all parties on 1 April, 2004

Party A: Shanghai Jin Qiao Export Processing Zone

Legal representative or authorized representative:
/s/ Zhang Guanming
Zhang Guanming

Party B: Nu Skin Asia Investment, Inc.

Legal representative or authorized representative:
/s/ D. Matthew Dorny
D. Matthew Dorny

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

Date: August 9, 2004

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

Date: August 9, 2004

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2004

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2004

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer

RISK FACTORS

Risks Related to Our Business

Currency exchange rate fluctuations could lower our revenue and net income.

In 2003, we recognized approximately 89% of our revenue in markets outside of the United States in each market's respective local currency. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in foreign countries from their local currencies into U.S. dollars using weighted average exchange rates. If the U.S. dollar strengthens relative to local currencies, particularly the Japanese yen inasmuch as we generated approximately 57% of our 2003 revenue in Japan, our reported revenue, gross profit and net income will likely be reduced. Given our inability to predict the degree of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon future reported results or our overall financial condition. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using foreign currency exchange contracts for the Japanese yen, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure. In addition, there is the risk that the Chinese government may allow the Yuan to float against the U.S. dollar, which would result in exchange rate risk for our Chinese business.

Because our Japanese operations account for a majority of our business, any adverse changes in our business operations in Japan would harm our business.

Approximately 57% of our 2003 revenue was generated in Japan. Various factors could harm our business in Japan, such as worsening economic conditions. Economic conditions in Japan have been poor in recent years and may worsen or not improve. Many of our competitors have seen their businesses in this market contract in the last few years. The volume of goods sold through the direct selling channel has decreased from $26.2 billion in 1998 to approximately $24.5 billion in 2002, we believe primarily as a result of difficult economic conditions. We believe our operating results have been negatively impacted in the past in part because of economic conditions. Continued or worsening economic and political conditions in Japan could further impact our revenue and net income. In addition, we also face significant competition from existing and new competitors in Japan. Our financial results would be harmed if our products, business opportunity or planned growth initiatives fail to retain and generate continued interest and enthusiasm among our distributors and consumers in this market.

If we are unable to retain our existing independent distributors and recruit additional distributors, our revenue will not increase and may even decline.

We distribute almost all of our products through our independent distributors, and we depend on them to generate virtually all of our revenue. Our distributors may terminate their services at any time, and, like most direct selling companies, we experience high turnover among distributors from year to year. As a result, in order to maintain sales and increase sales in the future, we need to continue to retain existing distributors and recruit additional distributors. To increase our revenue, we must increase the number of and/or the productivity of our distributors.

We have experienced periodic declines in both active distributors and executive distributors in the past. Our growth depends upon our ability to increase the number of active distributors and executive distributors. However, the number of our active and executive distributors may not increase and could decline once again in the future. While we take many steps to help train, motivate and retain distributors, we cannot accurately predict how the number and productivity of distributors may fluctuate because we rely primarily upon our distributor leaders to recruit, train and motivate new distributors. Our operating results could be harmed if we and our distributor leaders fail to generate sufficient interest in our business to retain existing distributors and attract new distributors.

The number and productivity of our distributors also depends on several additional factors, including:

- any adverse publicity regarding us, our products, our distribution channel or our competitors;
- a lack of interest in, or the technical failure of, existing or new products;
- the public's perception of our products and their ingredients;
- the public's perception of our distributors and direct selling businesses in general; and o general economic and business conditions.

In addition, we may face saturation or maturity levels in a given country or market. This is of particular concern in Taiwan, where industry sources have estimated that over 10% of the population is already involved in some form of direct selling. The maturity of several of our markets could also affect our ability to attract and retain distributors in those markets.

Our expansion of operations in China has resulted in governmental scrutiny, and our operations in China may be harmed by the results of such scrutiny.

The Chinese government banned direct selling activities in China in 1998, subject to certain limited exceptions. The government has rigorously monitored and enforced this ban. In the past, the government has taken significant actions against companies that the government found were engaging in direct selling in violation of applicable law, including shutting down their businesses and imposing substantial fines. Although a few of our global direct selling competitors have authorization to conduct limited direct selling activities after the 1998 ban, we have not received such authorization. Consequently, we have not implemented our direct sales model in China. Instead, we have implemented a business model that utilizes retail stores and an employed sales force that we believe complies with applicable regulations. We also allow distributor leaders from outside of China to help us recruit, find, train and motivate our employed sales force in China. Frequently, individuals, including our competitors, complain to local regulatory agencies that our China business model violates applicable regulations on direct selling. As a result, we regularly visit with regulators to address their questions and concerns and explain our local business model. We also use our best efforts to train our China sales force on our business model.

The regulatory environment in China is evolving, and officials in the Chinese government often exercise discretion in deciding how to interpret and apply applicable regulations. We have made some modifications to our business model and policies in response to concerns expressed by governmental authorities prior to and since we opened for business in January 2003. In addition, some of our distributors living outside of China and some of our employed sales representatives in China have engaged in activities that violated our policies in this market and resulted in some regulatory concern and some adverse publicity. At times, these reviews and investigations by government regulators have obstructed our ability to conduct business and have resulted in several cases in fines being paid by us, which in the aggregate have been less than 1% of our revenue in China since we began operating there. We may incur similar or more severe sanctions in the future. Occasionally, we have also been asked to cease sales activity in some stores while the regulators review our operations. While, in each of these cases, we have been allowed to recommence operations after the government's review, there is no assurance that this will always be the case.

Although we have worked closely with both national and local governmental agencies in implementing our plans, our efforts to comply with local laws may be harmed by a rapidly evolving regulatory climate, concerns about activities resembling direct selling and any subjective interpretation of laws. Any determination that our operations or activities, or the activities of our employed sales representatives or distributors living outside of China, are not in compliance with applicable regulations could result in the imposition of substantial fines, extended interruptions of business, restrictions on our ability to open new stores or expand into new locations, changes to our business model, the termination of required licenses to conduct business, or other actions, all of which would harm our business.

If regulators prevent us from hiring sales employees or opening new stores in China as quickly as we would like, our ability to grow our business there could be negatively impacted.

Because of concerns about the potential number of sales employees we could hire in some cities, regulators in a few cities in China initially recommended that we maintain a reasonable level of sales employees per store. If the level of employees that regulators determine to be reasonable is less than we anticipate or believe reasonable, or if regulators otherwise impose restrictions on the number of sales employees we may hire, our revenue could be negatively impacted, which could reduce our revenue or slow our growth rate in China. Additionally, regulatory provisions require us to obtain a license for each store that we operate in China, and regulators have broad discretion in approving these licenses. If regulators fail to approve licenses for new stores at a rate that meets our growth demands, this could harm our growth potential.

If China fails to adopt new direct selling regulations, or if these regulations are not favorable to us, this could harm our business.

Chinese regulators have indicated that they intend to publish new direct selling regulations within the next few months. There can be no assurance that these regulations will be adopted or, if adopted, that they will benefit our company. While we intend to apply for a direct selling license under any new proposed regulations and believe that one would be granted to us, there can be no assurance that this would be the case. Although we currently do not operate a direct selling business in China, our future growth could be harmed if the regulations are not adopted or are unfavorable, or if we are unable to obtain a license for direct selling under these regulations.

Global political issues and conflicts could harm our business.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts, including terrorism threats, tensions related to North Korea, political tensions between the People's Republic of China and Taiwan, and other issues. If these conflicts or issues escalate, or if there is increased anti-American sentiment, this could harm our foreign operations. In addition, changes and actions by governments in foreign markets, in particular those markets such as China where capitalism and free market trading is still evolving, could harm our business.

If we are unable to successfully manage rapid growth in China, our operations may be harmed.

As a result of Chinese regulations prohibiting us from implementing our direct selling model in China, we have opened over 100 of our own retail stores and hired a large and rapidly growing employed sales force. In addition, due to import restrictions in China, we have built and operate our own manufacturing plant to produce the products that we sell in our stores in China. As of June 30, 2004, we had spent approximately $10 million building our stores and factory and expect to spend an additional $7 to $10 million through the end of 2005. We have experienced rapid growth in China, and we cannot assure you that we will be able to successfully manage rapid expansion of manufacturing operations and a rapidly growing and dynamic sales force. We also cannot assure you that we will not experience difficulties in dealing with or taking employment related actions (such as hiring, terminations and salary administration, including social benefit payments) with respect to our employed sales representatives, particularly given the highly regulated nature of the employment relationship in China. If we are unable to effectively manage such growth and expansion of our retail stores, manufacturing operations or our employees, our government relations may be compromised and our operations in China may be harmed.

Intellectual property rights are difficult to enforce in China.

Chinese commercial law is relatively undeveloped compared to most of our other major markets, and, as a result, we may have limited legal recourse in the event we encounter significant difficulties with patent or trademark infringers. Limited protection of intellectual property is available under Chinese law, and the local manufacturing of our products may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise obtain or use our product formulations. As a result, we cannot assure you that we will be able to adequately protect our product formulations.

Manufacturing and production cost issues associated with our laser-based scanner could negatively impact the success of our scanner program and our ability to make a sufficient number of scanners available to interested distributors, which could harm our business.

Our introduction of a laser-based scanner that measures the levels of caratenoid antioxidants in the skin has generated considerable enthusiasm among some of our distributors, particularly in the United States. We have not had experience in developing, manufacturing and marketing sophisticated technology products such as the scanner. As with any new technology, we have experienced delays and technical and production cost issues in developing and manufacturing a scanner that meets required specifications and performs at a consistent level. As of June 30, 2004, we were manufacturing 40 to 50 units each week at a cost of approximately $7,500 per unit. If we are unable to timely resolve technical issues or otherwise fail to deliver scanners that perform to a standard expected by our distributors or if we are unable to make a sufficient number of scanners available to interested distributors at reasonable lease rates, we could dampen distributor enthusiasm and harm our business, particularly in the United States where many distributors have been focusing their marketing activities around the introduction of the scanner. Because of the substantial investment in the scanner initiative, we may not be able to recoup our investment or may have to record an expense that would negatively impact earnings if the scanner program fails for any reason.

If our laser-based scanner is determined to be a medical device in a particular geographic market, this could inhibit or delay our ability to market the scanner in such market.

We believe that our laser-based scanner can be marketed as a non-medical device. However, the FDA in the United States has questioned the status of the scanner as a non-medical device. There are various factors that could determine whether the scanner is a medical device including the claims that we or our distributors make about the scanner. If the FDA were to make a determination that the scanner is a medical device, or if it determines that our distributors are using the scanner to make medical claims, we would be required to obtain FDA clearance to market the scanner as a medical device, which could delay significantly or otherwise inhibit our ability and the ability of our distributors to use the scanner in the United States. In addition, we are facing similar regulatory issues in other markets with respect to the status of the scanner as a non-medical device. If distributors make claims regarding the scanner outside of the claims authorized by us this could result in regulatory actions against our business or prevent us from marketing the scanner as a non-medical device.

Although we are in the process of preparing an application for FDA clearance to market the scanner as a medical device in the United States in the event such clearance is required, obtaining FDA clearance or similar clearance in other markets could require us to provide documentation concerning the clinical utility of the scanner and to make some modifications to the design, specifications and manufacturing process of the scanner in order to meet stringent standards imposed on medical device companies. There can be no assurance we would be able to provide such documentation and make such changes promptly or in a manner that is satisfactory to regulatory authorities. We are also subject to regulatory restrictions that limit the claims or representations that we and our distributors can make about the scanner because we are not using it as a medical device, which could adversely impact our success in utilizing the scanner. Any delay, restriction or limitation of our anticipated use of this tool caused by regulatory issues could harm our business, particularly in the United States where we have experienced the strongest interest in the scanner.

Governmental regulations relating to the marketing and advertising of our products and services, in particular our nutritional supplements, may restrict or inhibit our ability to sell these products.

Our products and our related marketing and advertising efforts are subject to extensive governmental regulations by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the FTC, the Consumer Product Safety Commission and the Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies and the Ministry of Health, Labor and Welfare in Japan along with similar governmental agencies in other foreign markets where we operate. We also believe that the regulatory attitude towards dietary supplements in the United States, Japan and other markets is worsening.

Our markets have varied regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require us to, among other things:

- reformulate products for a specific market to meet the specific product formulation laws of that country;
- conform product labeling to the regulations in each country; and
- register or qualify products with the applicable governmental authority or obtain necessary approvals or file necessary notifications for the marketing of our products.

Failure to introduce products or delays in introducing products could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products, regardless of the existence of research and independent studies that may support such claims. These product claim restrictions could prevent us from realizing the potential revenue from some of our products.

The recent discovery of Bovine Spongiform Encephalopathy (BSE), commonly referred to as “mad cow disease”, in the United States could harm our business if we are not able to successfully implement contingency plans to address regulatory issues surrounding BSE.

Some countries, including Japan, have banned the importation or sale of products that contain bovine materials sourced from locations where BSE has been identified.

Approximately 40% of our Pharmanex revenue, accounting for over 18% of our total revenue, is generated from products that are encapsulated in gel capsules that are currently produced with bovine materials. We have been sourcing substantially all of our bovine materials, used primarily in the gel capsules of our nutritional supplements, from India and the United States, which were both BSE-free countries. At the end of December 2003, a single cow imported from Canada into the United States was found to have BSE, which has prompted some countries, including Japan, to suspend imports of beef and bovine related products from the United States as they review the situation. We have implemented alternative production plans for Japan to utilize gelatin capsules sourced from BSE-free countries or non-bovine gelatin capsules, and produce certain products in tablet form, in order to avoid material stock outages of our major products in Japan. If we experience production difficulties, quality control problems or shortages in supply, this could result in stock outages of key products or customer satisfaction issues in Japan, which could harm our business. In the event that the BSE issue is not resolved satisfactorily in the United States in a timely manner or if BSE becomes an issue in other countries, this could result in additional risk of product shortages or write-offs of inventory that no longer can be used. In addition, our business could be harmed if consumers become unduly concerned about the risks of BSE with respect to our bovine-sourced gelatin capsules or, alternatively, if consumers react negatively to our switching from capsules to tablets on some products as part of our contingency plans.

The sources and ingredients of our products are also subject to additional governmental regulations by numerous domestic and foreign governmental agencies and authorities regarding product ingredients. We may be unable to introduce our products in some markets if we fail to obtain the necessary regulatory approvals or if any product ingredients are prohibited, which could harm our business.

Recent negative publicity concerning stimulant-based supplements have spurred efforts to change existing laws and regulations with respect to nutritional supplements that, if successful, could result in more restrictive and burdensome regulations.

There have been some recent injuries and deaths that have been attributed to the use of nutritional supplements that contain ingredients that are controversial and have generated negative publicity. This publicity has resulted in efforts to adopt new regulations applicable to nutritional supplements that could impose further restrictions and regulatory controls over the nutritional supplement industry. Although we are committed to not market nutritional supplements that contain any stimulants, steroids or other substances that are controversial and could pose health risks, our operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional supplements or impose additional burdens or requirements on nutritional supplement companies as a result of public reaction to the recent injuries and deaths caused by supplements that do contain these controversial ingredients.

If we are unable to expand operations in any of the new markets we have currently targeted, we may have difficulty achieving our long-term objectives.

A significant percentage of our revenue growth over the past decade has been attributable to our expansion into new markets. For example, the revenue growth we experienced in recent years was due in part to our successful expansion of operations into Singapore, Malaysia and Mainland China. Moreover, our growth over the next several years depends on our ability to successfully introduce our products and our distribution system into new markets, including further development of Mainland China and Eastern Europe. In addition to the regulatory difficulties we may face in gaining access into these new markets, we could face difficulties in achieving acceptance of our premium-priced products in developing markets. In the past, we have struggled to operate successfully in developing country markets, such as Latin America. This may also be the case in Eastern Europe and the other new markets into which we currently intend to expand. If we are unable to successfully expand our operations into these new markets, our opportunities to grow our business may be limited, and, as a result, we may not be able to achieve our long-term objectives.

Adverse publicity concerning our business, marketing plan or products could harm our business and reputation.

The size of our distribution force and the results of our operations can be particularly impacted by adverse publicity regarding us, the legality of our distributor network, our products or the actions of our distributors. Specifically, we are susceptible to adverse publicity concerning:

- suspicions about the legality of network marketing;
- the ingredients or safety of our or our competitors' products;
- regulatory investigations of us, our competitors and our respective products;
- the actions of our current or former distributors; and
- public perceptions of direct selling businesses generally.

In addition, in the past we have experienced negative publicity that has harmed our business in connection with regulatory investigations and inquiries. We may receive negative publicity in the future, and it may harm our business and reputation.

Although our distributors are independent contractors, improper distributor actions that violate laws or regulations could harm our business.

Distributor activities in our existing markets that violate governmental laws or regulations could result in governmental actions against us in markets where we operate. Except in China, our distributors are not employees and act independently of us. We implement strict policies and procedures to ensure our distributors will comply with legal requirements. However, given the size of our distributor force, we experience problems with distributors from time to time. For example, product claims made by some of our distributors in 1990 and 1991 led to an investigation by the FTC, which resulted in our entering into a consent decree with the FTC as described below.

Failure of new products to gain distributor and market acceptance could harm our business.

A critical component of our business is our ability to develop new products that create enthusiasm among our distributor force. If we fail to introduce new products planned for introduction, our distributor productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, the loss of key research and development staff from our divisions, the termination of third-party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

Government inquiries, investigations and actions could harm our business.

From time to time, we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any determination that we or our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could create negative publicity. Negative publicity could detrimentally affect our efforts to recruit or motivate distributors and attract customers and, consequently, could reduce revenue and net income.

In the early 1990s, we entered into voluntary consent agreements with the FTC and other state regulatory agencies relating to investigations of our distributors' product claims and practices. These investigations centered around allegedly unsubstantiated product and earnings claims made by some of our distributors. We believe that the negative publicity generated by this FTC action, as well as a subsequent action in the mid1990s related to unsubstantiated product claims, harmed our business and results of operations in the United States. Pursuant to the consent decrees, we agreed, among other things, to supplement our procedures to enforce our policies, to not allow distributors to make earnings representations without making additional disclosures relating to average earnings and to not make, or allow our distributors to make, product claims that were not substantiated. We have taken various actions, including implementing a more generous inventory buyback policy, publishing average distributor earnings information, supplementing our procedures for enforcing our policies, and reviewing distributor product sales aids, to address the issues raised by the FTC and state agencies in these investigations. As a result of the previous investigations, the FTC makes inquiries from time to time regarding our compliance with applicable laws and regulations and our consent decree. Any further actions by the FTC or other comparable state or federal regulatory agencies, in the United States or abroad, could have a further negative impact on us in the future.

In addition, we are susceptible to government-initiated campaigns that do not rise to the level of formal regulations. For example, the South Korean government, several South Korean trade groups and members of the South Korean media initiated campaigns in 1997 and 1998 urging South Korean consumers not to purchase luxury or foreign goods. We believe that these campaigns and the related media attention they received, together with the economic recession that occurred in the late 1990s in the South Korean economy, significantly harmed our South Korean business. We cannot assure you that similar government, trade group or media actions will not occur again in South Korea or in other countries where we operate or that such events will not similarly harm our operations.

The loss of key high-level distributors could negatively impact our distributor growth and our revenue.

As of June 30, 2004, we had approximately 808,000 active distributors and preferred customers and 31,000 executive distributors. Approximately 311 distributors currently occupy the highest distributor level under our Global Compensation Plan. These distributors, together with their extensive networks of downline distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in the distributor's network of downline distributors, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our distributor growth and our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline.

Various government agencies throughout the world regulate direct sales practices. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" schemes, that compensate participants for recruiting additional participants irrespective of product sales, use high pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in our current markets often:

- impose order cancellations, product returns, inventory buy-backs and cooling-off rights for consumers and distributors;

- require us or our distributors to register with governmental agencies;
- impose reporting requirements to regulatory agencies; and/or
- require us to ensure that distributors are not being compensated based upon the recruitment of new distributors.

Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult and require the devotion of significant resources on our part. If we are unable to continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability will decline. Countries where we currently do business could change their laws or regulations to negatively affect or prohibit completely direct sales efforts. In addition, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. If any governmental authority were to bring a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer.

Challenges by private parties to the form of our network marketing system could harm our business.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system or elements of our business. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers and to prevent inappropriate activities and to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states and domestic and global industry standards. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact-based and are subject to judicial interpretation. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former distributor.

Increases in duties on our imported products in our markets outside of the United States could reduce our revenue and harm our competitive position.

Historically, we have imported most of our products into the countries in which they are ultimately sold. These countries impose various legal restrictions on imports and typically impose duties on our products. In any given country, regulators may increase duties on imports and, as a result, reduce our profitability and harm our competitive position relative to locally produced goods.

Governmental authorities may question our inter-company transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business.

As a U.S. company doing business in international markets through subsidiaries, we are subject to foreign tax and inter-company pricing laws, including those relating to the flow of funds between our company and our subsidiaries. Regulators in the United States and in foreign markets closely monitor our corporate structure and how we effect inter-company fund transfers. If regulators challenge our corporate structure, transfer pricing mechanisms or inter-company transfers, our operations may be harmed, and our effective tax rate may increase. Tax rates vary from country to country, and, if regulators determine that our profits in one jurisdiction may need to be increased, we may not be able to fully utilize all foreign tax credits that are generated, which will increase our effective tax rate. For example, our corporate income tax rate in the United States is 35%. If our profitability in a higher tax jurisdiction, such as Japan where the corporate tax rate is currently set at 42%, increases disproportionately to the rest of our business, our effective tax rate may increase. We cannot assure you that we will continue operating in compliance with all applicable customs, exchange control and transfer pricing laws, despite our efforts to be aware of and comply with such laws. If these laws change, we may need to adjust our operating procedures and our business may suffer.

The loss of suppliers could harm our business.

For approximately ten years, we have acquired ingredients and products from one unaffiliated supplier that currently manufactures approximately 39% of our Nu Skin personal care products. We currently rely on two unaffiliated suppliers, one of which supplies approximately 39% and the other of which supplies approximately 28% of our Pharmanex nutritional supplements. We obtain some of our nutritional supplements from sole suppliers in China. We also license the right to distribute some of our products from third parties. Because of the concentrated nature of our suppliers and manufacturers, the loss of any of these suppliers or manufacturers, or the failure of suppliers to meet our needs, could restrict our ability to produce or distribute some products and harm our revenue as a result.

We depend on our key personnel, and the loss of the services provided by any of our executive officers or other key employees could harm our business and results of operations.

Our success depends to a significant degree upon the continued contributions of our senior management, many of whom would be difficult to replace. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. We do not carry key person insurance for any of our personnel. While we have signed offer letters from most of our senior executives, we only have one formal employment agreement with Joseph Chang, President of Pharmanex. If we lose the services of our executive officers or key employees for any reason, our business, financial condition and results of operations could be harmed.

Our markets are intensely competitive, and market conditions and the strengths of competitors may harm our business.

The markets for our Nu Skin and Pharmanex products are intensely competitive. Our results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. For example, our Nu Skin products compete directly with branded, premium retail products. We also compete with other direct selling organizations. The leading direct selling companies in our existing markets are Avon and Alticor (Amway). We currently do not have significant patent or other proprietary protection, and our competitors may introduce products with the same ingredients that we use in our products. Because of regulatory restrictions concerning claims about the efficacy of dietary supplements, we may have difficulty differentiating our products from our competitors' products, and competing products entering the nutritional market could harm our nutritional supplement revenue.

We also compete with other network marketing companies for distributors. Some of these competitors have a longer operating history and greater visibility, name recognition and financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of our successful business strategies, including our Global Compensation Plan for distributors. Consequently, to successfully compete in this market and attract and retain distributors, we must ensure that our business opportunities and compensation plans are financially rewarding. We cannot assure you that we will be able to successfully compete in this market.

There is uncertainty whether the SARS epidemic could return, particularly in those Asian markets most affected by the epidemic in 2003.

It is difficult to predict the impact, if any, of a recurrence of a SARS epidemic on our business. Although such an event could generate increased sales of health/immune supplements and certain personal care products, our direct selling and retail activities and results of operations could be harmed if the fear of SARS or other communicable diseases that spread rapidly in densely populated areas causes people to avoid public places and interaction with one another.

Product liability claims could harm our business.

We may be required to pay for losses or injuries purportedly caused by our products. Although we have had a very limited product claims history, we have recently experienced difficulty in finding insurers that are willing to provide product liability coverage at reasonable rates due to insurance industry trends and the rising cost of insurance generally. As a result, we have elected to self-insure our product liability risks for our core product lines. Until we elect and are able to obtain product liability insurance, if any of our products are found to cause any injury or damage, we will be subject to the full amount of liability associated with any injuries or damages. This liability could be substantial. We cannot predict if and when product liability insurance will be available to us on reasonable terms.

System failures could harm our business.

Because of our diverse geographic operations and our complex distributor compensation plan, our business is highly dependent on efficiently functioning information technology systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. In April 2002, we adopted a Business Continuity/Disaster Recovery Plan, which is in the process of being implemented. All of our data sets are archived and stored at third party, secure sites, but we have not contracted for a third party recovery site. Despite any precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

Risks Related to Our Class A Common Stock

The market price of our Class A common stock is subject to significant fluctuations due to a number of factors that are beyond our control.

Our Class A common stock closed at $14.10 per share on July 1, 2002 and closed at $25.49 per share on July 1, 2004. During this two-year period, our Class A common stock traded as low as $8.40 per share and as high as $25.91 per share. Many factors could cause the market price of our Class A common stock to fall. Some of these factors include:

- fluctuations in our quarterly operating results;
- the sale of shares of Class A common stock by our original or significant stockholders;
- general trends in the market for our products;
- acquisitions by us or our competitors;
- economic and/or currency exchange issues in those foreign countries in which we operate;
- changes in estimates of our operating performance or changes in recommendations by securities analysts; and
- general business and political conditions.

Broad market fluctuations could also lower the market price of our Class A common stock regardless of our actual operating performance.

As of June 30, 2004, our original stockholders, together with their family members, estate planning entities and affiliates, controlled approximately 42% of the combined stockholder voting power, and their interests may be different from yours.

The original stockholders of our company, together with their family members and affiliates, have the ability to influence the election and removal of the board of directors and, as a result, future direction and operations of our company. As of June 30, 2004, these stockholders owned approximately 42% of the voting power of the outstanding shares of Class A common stock. Accordingly, they may influence decisions concerning business opportunities, declaring dividends, issuing additional shares of Class A common stock or other securities and the approval of any merger, consolidation or sale of all or substantially all of our assets. They may make decisions that are adverse to your interests.

If our stockholders sell a substantial number of shares of our Class A common stock in the public market, the market price of our Class A common stock could fall.

Several of our principal stockholders hold a large number of shares of the outstanding Class A common stock. Any decision by any of our principal stockholders to aggressively sell their shares could depress the market price of our Class A common stock.

As of June 30, 2004, we had 72,073,135 shares of Class A common stock outstanding. All of these shares are freely tradable, except for approximately 28 million shares held by certain stockholders who participated in our October 2003 recapitalization transaction wherein we repurchased approximately 10.8 million of our shares from our original stockholders and their affiliates and facilitated their resale of approximately 6.2 million additional shares to a group of private equity investors. Under the terms of our repurchase, our original stockholders agreed that they will not sell or otherwise dispose of any shares of Class A common stock on the open market or without the prior written consent of a majority of our independent directors prior to October 22, 2005. This agreement is subject to the following exceptions:

- certain charitable donations to religious organizations;
- transfers to us;
- transfers of common stock to immediate family members or related persons who or estate planning entities that agree to be bound by similar restrictions;
    - transfers pursuant to an existing call option for 2 million shares granted by one of our original stockholders, Sandra Tillotson, or an existing put option for up to 3.5 million shares obtained by Ms. Tillotson in a recent transaction with the selling stockholders named in this prospectus; and
    - the pledge of shares as security for loans up to $10 million, provided certain conditions are met, including our right to purchase any shares upon the occurrence of an event of default at a price equal to 50% of the average closing price for the 15 days immediately prior to the event of default.

These stockholders also agreed that, after the expiration of the two-year lock-up agreement in October 2005, they will be subject to certain volume limitations with respect to open market transactions. In the event these lock-up restrictions were removed, the resulting sales could cause the price of our Class A common stock to decline.