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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

or

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

Commission File Number 001-14429

SKECHERS U.S.A., INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4376145** (I.R.S. Employer Identification No.)
228 Manhattan Beach Blvd. **Manhattan Beach, California** (Address of principal executive office)	**90266** (Zip Code)

(310) 318-3100
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	SKX	New York Stock Exchange

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 28, 2022, 134,212,238 shares of the registrant's Class A Common Stock, $0.001 par value per share, were outstanding.

As of October 28, 2022, 20,888,571 shares of the registrant's Class B Common Stock, $0.001 par value per share, were outstanding.

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Form 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	As of September 30, 2022	As of December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 508,281	$ 796,283
Short-term investments	102,986	98,580
Trade accounts receivable, less allowances of $58,818 and $62,684	933,908	732,793
Other receivables	75,075	80,043
Inventory	1,779,369	1,470,994
Prepaid expenses and other	182,260	193,547
Total current assets ($996,197 and $1,040,765 related to VIEs)	3,581,879	3,372,240
Property, plant and equipment, net	1,289,520	1,128,909
Operating lease right-of-use assets	1,117,951	1,224,580
Deferred tax assets	448,179	451,355
Long-term investments	70,242	145,590
Goodwill	93,497	93,497
Other assets, net	77,371	75,109
Total non-current assets ($587,295 and $608,607 related to VIEs)	3,096,760	3,119,040
TOTAL ASSETS	$ 6,678,639	$ 6,491,280
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 925,907	$ 876,342
Accrued expenses	261,577	265,420
Operating lease liabilities	221,396	225,658
Current installments of long-term borrowings	136,930	76,967
Short-term borrowings	31,013	1,195
Total current liabilities ($566,888 and $601,929 related to VIEs)	1,576,823	1,445,582
Long-term operating lease liabilities	996,414	1,094,748
Long-term borrowings	225,505	263,445
Deferred tax liabilities	11,739	11,820
Other long-term liabilities	119,288	133,613
Total non-current liabilities ($309,923 and $368,994 related to VIEs)	1,352,946	1,503,626
Total liabilities	2,929,769	2,949,208
Commitments and contingencies (Note 10)		
Stockholders’ equity		
Preferred Stock, $0.001 par value; 10,000 shares authorized; none issued and outstanding	—	—
Class A Common Stock, $0.001 par value; 500,000 shares authorized; 134,212 and 135,107 shares issued and outstanding	134	135
Class B Common Stock, $0.001 par value; 75,000 shares authorized; 20,889 and 20,939 shares issued and outstanding	21	21
Additional paid-in capital	387,459	429,608
Accumulated other comprehensive loss	(104,326)	(48,323)
Retained earnings	3,175,416	2,877,903
Skechers U.S.A., Inc. equity	3,458,704	3,259,344
Noncontrolling interests	290,166	282,728
Total stockholders' equity	3,748,870	3,542,072
TOTAL LIABILITIES AND EQUITY	$ 6,678,639	$ 6,491,280

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Sales	$ 1,878,367	$ 1,558,476	$ 5,565,765	$ 4,654,802
Cost of sales	994,432	781,513	2,960,088	2,338,588
Gross profit	883,935	776,963	2,605,677	2,316,214
Operating expenses				
Selling	150,857	127,845	425,675	360,640
General and administrative	603,107	502,871	1,719,969	1,450,449
Total operating expenses	753,964	630,716	2,145,644	1,811,089
Earnings from operations	129,971	146,247	460,033	505,125
Other expense	(15,139)	(8,049)	(40,144)	(20,065)
Earnings before income taxes	114,832	138,198	419,889	485,060
Income tax expense	20,498	21,497	83,229	92,027
Net earnings	94,334	116,701	336,660	393,033
Less: Net earnings attributable to noncontrolling interests	8,448	13,562	39,147	53,952
Net earnings attributable to Skechers U.S.A., Inc.	$ 85,886	$ 103,139	$ 297,513	$ 339,081
Net earnings per share attributable to Skechers U.S.A., Inc.				
Basic	$ 0.55	$ 0.66	$ 1.91	$ 2.18
Diluted	$ 0.55	$ 0.66	$ 1.90	$ 2.17
Weighted-average shares used in calculating net earnings per share attributable to Skechers U.S.A., Inc.				
Basic	155,420	155,835	155,783	155,413
Diluted	156,233	157,123	156,714	156,590

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net earnings	$ 94,334	$ 116,701	$ 336,660	$ 393,033
Other comprehensive income, net of tax				
Net unrealized gain on derivative contract	3,113	200	10,210	1,823
Loss on foreign currency translation adjustment	(42,888)	(13,027)	(83,628)	(22,520)
Comprehensive income	54,559	103,874	263,242	372,336
Less: Comprehensive income (loss) attributable to noncontrolling interests	(2,785)	10,255	20,979	50,480
Comprehensive income attributable to Skechers U.S.A., Inc.	$ 57,344	$ 93,619	$ 242,263	$ 321,856

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
(Unaudited)

	Shares		Amount							
(in thousands)	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Skechers U.S.A., Inc. equity	Noncontrolling interests	Total stockholders' equity
Balance at June 30, 2022	134,845	20,889	$ 135	$ 21	$ 402,360	$ (75,784)	$ 3,089,530	$ 3,416,262	$ 301,842	$ 3,718,104
Net earnings	—	—	—	—	—	—	85,886	85,886	8,448	94,334
Foreign currency translation adjustment	—	—	—	—	—	(28,542)	—	(28,542)	(14,346)	(42,888)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(8,891)	(8,891)
Net unrealized gain on derivative contract	—	—	—	—	—	—	—	—	3,113	3,113
Stock compensation expense	—	—	—	—	10,223	—	—	10,223	—	10,223
Shares issued under the incentive award plan	10	—	—	—	—	—	—	—	—	—
Shares redeemed for employee tax withholdings	(4)	—	—	—	(112)	—	—	(112)	—	(112)
Repurchases of common stock	(639)	—	(1)	—	(25,012)	—	—	(25,013)	—	(25,013)
Balance at September 30, 2022	134,212	20,889	$ 134	$ 21	$ 387,459	$ (104,326)	$ 3,175,416	$ 3,458,704	$ 290,166	$ 3,748,870
Balance at June 30, 2021	134,884	20,949	$ 135	$ 21	$ 395,951	$ (34,990)	$ 2,372,342	$ 2,733,459	$ 280,645	$ 3,014,104
Net earnings	—	—	—	—	—	—	103,139	103,139	13,562	116,701
Foreign currency translation adjustment	—	—	—	—	—	(9,520)	—	(9,520)	(3,507)	(13,027)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	6,717	6,717
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(7,126)	(7,126)
Net unrealized gain on derivative contract	—	—	—	—	—	—	—	—	200	200
Stock compensation expense	—	—	—	—	14,664	—	—	14,664	—	14,664
Shares issued under the incentive award plan	14	—	—	—	—	—	—	—	—	—
Shares redeemed for employee tax withholdings	(5)	—	—	—	(239)	—	—	(239)	—	(239)
Conversion of Class B Common Stock into Class A Common Stock	10	(10)	—	—	—	—	—	—	—	—
Balance at September 30, 2021	134,903	20,939	$ 135	$ 21	$ 410,376	$ (44,510)	$ 2,475,481	$ 2,841,503	$ 290,491	$ 3,131,994

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
(Unaudited)

(in thousands)	Shares		Amount							
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Skechers U.S.A., Inc. equity	Noncontrolling interests	Total stockholders' equity
Balance at December 31, 2021	135,107	20,939	$ 135	$ 21	$ 429,608	$ (48,323)	$ 2,877,903	$ 3,259,344	$ 282,728	$ 3,542,072
Net earnings	—	—	—	—	—	—	297,513	297,513	39,147	336,660
Foreign currency translation adjustment	—	—	—	—	—	(56,003)	—	(56,003)	(27,625)	(83,628)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(13,541)	(13,541)
Net unrealized gain on derivative contract	—	—	—	—	753	—	—	753	9,457	10,210
Stock compensation expense	—	—	—	—	44,018	—	—	44,018	—	44,018
Proceeds from the employee stock purchase plan	144	—	—	—	4,836	—	—	4,836	—	4,836
Shares issued under the incentive award plan	1,268	—	1	—	(1)	—	—	—	—	—
Shares redeemed for employee tax withholdings	(430)	—	—	—	(17,512)	—	—	(17,512)	—	(17,512)
Repurchases of common stock	(1,927)	—	(2)	—	(74,243)	—	—	(74,245)	—	(74,245)
Conversion of Class B Common Stock into Class A Common Stock	50	(50)	—	—	—	—	—	—	—	—
Balance at September 30, 2022	134,212	20,889	$ 134	$ 21	$ 387,459	$ (104,326)	$ 3,175,416	$ 3,458,704	$ 290,166	$ 3,748,870
Balance at December 31, 2020	133,618	21,016	$ 134	$ 21	$ 372,165	$ (27,285)	$ 2,136,400	$ 2,481,435	$ 244,228	$ 2,725,663
Net earnings	—	—	—	—	—	—	339,081	339,081	53,952	393,033
Foreign currency translation adjustment	—	—	—	—	—	(17,225)	—	(17,225)	(5,295)	(22,520)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	6,731	6,731
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(7,876)	(7,876)
Purchase of noncontrolling interest	—	—	—	—	(6,856)	—	—	(6,856)	(3,072)	(9,928)
Net unrealized gain on derivative contract	—	—	—	—	—	—	—	—	1,823	1,823
Stock compensation expense	—	—	—	—	41,350	—	—	41,350	—	41,350
Proceeds from the employee stock purchase plan	141	—	—	—	4,027	—	—	4,027	—	4,027
Shares issued under the incentive award plan	1,073	—	1	—	(1)	—	—	—	—	—
Shares redeemed for employee tax withholdings	(6)	—	—	—	(309)	—	—	(309)	—	(309)
Conversion of Class B Common Stock into Class A Common Stock	77	(77)	—	—	—	—	—	—	—	—
Balance at September 30, 2021	134,903	20,939	$ 135	$ 21	$ 410,376	$ (44,510)	$ 2,475,481	$ 2,841,503	$ 290,491	$ 3,131,994

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities		
Net earnings	$ 336,660	$ 393,033
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities		
Depreciation and amortization	110,688	100,658
Provision for bad debts and returns	22,212	21,504
Stock compensation	44,018	41,350
Deferred income taxes	1,909	(8,393)
Net foreign currency adjustments	17,266	(2,022)
Changes in operating assets and liabilities		
Receivables	(287,470)	(179,108)
Inventory	(380,877)	(221,366)
Other assets	15,082	(5,937)
Accounts payable	91,901	106,202
Other liabilities	(14,230)	7,317
Net cash (used in) provided by operating activities	(42,841)	253,238
Cash flows from investing activities		
Capital expenditures	(263,631)	(235,626)
Purchases of investments	(43,527)	(168,892)
Proceeds from sales and maturities of investments	114,469	148,442
Net cash used in investing activities	(192,689)	(256,076)
Cash flows from financing activities		
Net proceeds from the employee stock purchase plan	4,836	4,027
Repayments on long-term borrowings	(30,408)	(477,909)
Proceeds from long-term borrowings	52,431	72,746
Net proceeds from (repayments on) short-term borrowings	29,818	(2,977)
Payments for employee taxes related to stock compensation	(17,512)	(309)
Repurchases of common stock	(74,245)	—
Purchase of noncontrolling interests	—	(9,928)
Contributions from noncontrolling interests	—	6,731
Distributions to noncontrolling interests	(13,541)	(7,876)
Net cash used in financing activities	(48,621)	(415,495)
Effect of exchange rate changes on cash and cash equivalents	(3,851)	(417)
Net change in cash and cash equivalents	(288,002)	(418,750)
Cash and cash equivalents at beginning of the period	796,283	1,370,826
Cash and cash equivalents at end of the period	$ 508,281	$ 952,076
Supplemental disclosures of cash flow information		
Cash paid during the period for		
Interest	$ 13,857	$ 10,620
Income taxes, net	73,320	96,710
Non-cash transactions		
ROU assets exchanged for lease liabilities	199,646	144,729

See accompanying notes to unaudited condensed consolidated financial statements.

(1) General

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Skechers U.S.A., Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all normal adjustments and accruals considered necessary to provide a fair statement of the results of operations for the interim periods presented have been included. The December 31, 2021 balance sheet data was derived from audited financial statements; however, the accompanying notes to condensed consolidated financial statements do not include all of the annual disclosures required under GAAP and should be read in conjunction with the Company's 2021 Annual Report on Form 10-K. Certain reclassifications have been made to the condensed consolidated financial statements in prior years to conform to the current year presentation, including but not limited to combining royalty income into sales.

NONCONTROLLING INTERESTS

The Company has equity interests in several joint ventures that were established either to exclusively distribute the Company's products throughout Mexico, Asia and the Middle East or to construct the Company's domestic distribution facility. These joint ventures are variable interest entities ("VIE"), and the Company is considered the primary beneficiary. This determination is based on the relationships between the Company and the VIE, including management agreements, governance documents and other contractual arrangements. Specifically, the Company has both of the following characteristics: (a) the power to direct the activities of the entity that most significantly impact the entity's economic performance; and (b) the obligation to absorb losses of the entity that could potentially be significant to the VIE, or the right to receive benefits from the entity that could potentially be significant to the VIE. The assets and liabilities and results of operations of these entities are included in the Company's condensed consolidated financial statements, even though the Company may not hold a majority equity interest.

In March 2021, the minority interest related to the Hong Kong joint venture was purchased for $10.0 million. The Hong Kong entity continues to be included in the Company's condensed consolidated financial statements. There have been no changes during 2022 in the accounting treatment or characterization of any previously identified VIEs. The Company continues to reassess these relationships quarterly. The assets of these joint ventures are restricted, as they are not available for general business use outside the context of such joint ventures. The holders of the liabilities of each joint venture have no recourse to the Company.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy as defined by applicable accounting standards prioritizes the use of inputs used in valuation techniques into the following three levels:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that cannot be corroborated by market data that reflect the reporting entity's own assumptions.

The Company's Level 1 investments primarily include money market funds and United States ("U.S.") Treasury securities; Level 2 investments primarily include corporate notes and bonds, asset-backed securities, and actively traded mutual funds; and the Company does not currently have any Level 3 assets or liabilities. The Company has one Level 2 derivative instrument which is an interest rate swap related to the refinancing of its U.S. distribution center (see Note 4 – Financial Commitments) classified as other assets, net. The fair value of the interest rate swap was determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipt was based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. Credit valuation adjustments were incorporated to appropriately reflect both the Company's nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

The carrying amount of receivables, payables and other amounts arising out of the normal course of business approximates fair value because of the relatively short maturity of such instruments. The carrying amount of the Company's short-term and long-term borrowings, which are considered Level 2 liabilities, approximates fair value based on current rates and terms available to the Company for similar debt.

DERIVATIVE INSTRUMENTS

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, the Company uses an interest rate swap as part of its interest rate risk management strategy. The Company's interest rate swap, designated as a cash flow hedge, involves the receipt of variable amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. By utilizing an interest rate swap, the Company is exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, the Company enters into derivative contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. As of September 30, 2022, all counterparties to the interest rate swap had performed in accordance with their contractual obligations.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* ("ASU 2019-12"). ASU 2019-12 removes certain exceptions to the general income tax accounting methodology including an exception for the recognition of a deferred tax liability when a foreign subsidiary becomes an equity method investment and an exception for interim periods showing operating loss in excess of anticipated operating loss for the year. The amendment also reduces the complexity surrounding franchise tax recognition; the step up in the tax basis of goodwill in conjunction with business combinations; and the accounting for the effect of changes in tax laws enacted during interim periods. The Company adopted ASU 2019-12 on January 1, 2021, and the adoption did not have a material impact on its condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* as amended and supplemented by subsequent ASUs (collectively, "ASU 2020-04"), which provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for borrowing instruments, which use LIBOR as a reference rate, and is effective immediately, but is only available through December 31, 2022. The Company has evaluated this ASU and does not expect its adoption to have a material impact on its condensed consolidated financial statements.

(2) Cash, Cash Equivalents, Short-term and Long-term Investments

The following tables show the Company's cash, cash equivalents, short-term and long-term investments by significant investment category:

(in thousands)	As of September 30, 2022				
	Adjusted Cost	Fair Value	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Cash	$ 454,788	$ 454,788	$ 454,788	$ —	$ —
Level 1					
Money market funds	53,493	53,493	53,493	—	—
U.S. Treasury securities	18,314	18,314	—	18,314	—
Total level 1	71,807	71,807	53,493	18,314	—
Level 2					
Corporate notes and bonds	98,034	98,034	—	83,812	14,222
Asset-backed securities	6,670	6,670	—	860	5,810
Mutual funds	50,210	50,210	—	—	50,210
Total level 2	154,914	154,914	—	84,672	70,242
Total	$ 681,509	$ 681,509	$ 508,281	$ 102,986	$ 70,242

(in thousands)	As of December 31, 2021				
	Adjusted Cost	Fair Value	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Cash	$ 664,220	$ 664,220	$ 664,220	$ —	$ —
Level 1					
Money market funds	132,063	132,063	132,063	—	—
U.S. Treasury securities	25,437	25,437	—	8,896	16,541
Total level 1	157,500	157,500	132,063	8,896	16,541
Level 2					
Corporate notes and bonds	148,373	148,373	—	84,783	63,590
Asset-backed securities	17,180	17,180	—	4,901	12,279
Mutual funds	53,180	53,180	—	—	53,180
Total level 2	218,733	218,733	—	89,684	129,049
Total	$ 1,040,453	$ 1,040,453	$ 796,283	$ 98,580	$ 145,590

The Company's investments consist of U.S. Treasury securities, corporate notes and bonds and asset-backed securities, which the Company has the intent and ability to hold to maturity and therefore are classified as held-to-maturity. The Company holds mutual funds in its deferred compensation plan which are classified as trading securities. The Company may sell certain of its investments prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. The maturities of the Company's long-term investments are less than two years. The Company minimizes the potential risk of principal loss by investing in highly-rated securities and limiting the amount of credit exposure to any one issuer. Fair values were determined for each individual security in the investment portfolio.

When evaluating an investment for its current expected credit losses, the Company reviews factors such as historical experience with defaults, losses, credit ratings, term, market sector and macroeconomic trends, including current conditions and forecasts to the extent they are reasonable and supportable.

(3) Accrued Expenses

Accrued expenses were as follows:

(in thousands)		As of September 30, 2022		As of December 31, 2021
Accrued payroll, taxes, and other	$	156,112	$	143,295
Return reserve liability		64,207		68,944
Accrued inventory purchases		41,258		53,181
Accrued expenses	$	261,577	$	265,420

(4) Financial Commitments

The Company had $2.8 million and $17.2 million of outstanding letters of credit as of September 30, 2022 and December 31, 2021, and approximately $31.0 million and $1.2 million in short-term borrowings as of September 30, 2022, December 31, 2021. Interest expense was $5.1 million and $3.3 million for the three months ended September 30, 2022 and 2021 and $14.1 million and $10.9 million for nine months ended September 30, 2022 and 2021.

Long-term borrowings were as follows:

(in thousands)		As of September 30, 2022		As of December 31, 2021
HF-T1 Distribution Center Loan	$	129,505	$	129,505
HF-T2 Distribution Center Construction Loan		72,098		57,227
China Distribution Center Construction Loan		92,308		75,621
China Operational Loans		60,588		69,796
Other		7,936		8,263
Subtotal		362,435		340,412
Less: Current installments		136,930		76,967
Total long-term borrowings	$	225,505	$	263,445

Revolving Credit Facility

The Company maintains a revolving credit facility to manage liquidity; including working capital and capital expenditures. On December 15, 2021, the Company amended its $500.0 million senior, unsecured revolving credit agreement dated November 21, 2019 (the "Amended Credit Agreement"). The Amended Credit Agreement expands its senior, unsecured credit facility to $750.0 million, which may be increased by up to $250.0 million under certain conditions and provides for the issuance of letters of credit up to a maximum of $100.0 million and swingline loans up to a maximum of $50.0 million. The Amended Credit Agreement extends the maturity date of the credit agreement, which was due to expire on November 21, 2024, to December 15, 2026. As of September 30, 2022, there was $25.0 million outstanding under the revolving credit facility which is included in the short-term borrowings on the condensed consolidated balance sheets, and the weighted-average annual interest rate on borrowings was approximately 2.03% during the nine months ended September 30, 2022. The unused credit capacity was $722.2 million and $732.8 million as of September 30, 2022 and December 31, 2021.

The Company is required to maintain a maximum total adjusted net leverage ratio of 3.75:1, except in the event of an acquisition in which case the ratio may be increased at the Company's election to 4.25:1 for the quarter in which such acquisition occurs and for the next three quarters thereafter. The Company was in compliance with the financial covenants as of September 30, 2022.

HF-T1 Distribution Center Loan

To finance construction and improvements to the Company's North American distribution center, the Company's joint venture with HF Logistics I, LLC ("HF"), HF Logistics-SKX, LLC (the "JV"), through a wholly-owned subsidiary of the JV ("HF-T1"), entered into a $129.5 million construction loan agreement which matures on March 18, 2025 (the "HF-T1 2020 Loan") with interest of LIBOR Daily Floating Rate plus a margin of 1.75% per annum.

HF-T1 also entered into an ISDA master agreement (together with the schedule related thereto, the "Swap Agreement") with Bank of America, N.A. to govern derivative and/or hedging transactions that HF-T1 concurrently entered into with Bank of America, N.A. Pursuant to the Swap Agreement, on August 14, 2015, HF-T1 entered into a confirmation of swap transactions (the "Interest Rate Swap") as amended (the "Swap Agreement Amendment") on March 18, 2020 with Bank of America, N.A with a maturity date of March 18, 2025. The Swap Agreement Amendment fixes the effective interest rate on the HF-T1 2020 Loan at 2.55% per annum. The HF-T1 2020 Loan and Swap Agreement Amendment are subject to customary covenants and events of default. Bank of America, N.A. also acts as a lender and syndication agent under the Company's revolving credit facility.

The Interest Rate Swap involves the receipt of variable amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of both September 30, 2022 and December 31, 2021, the Interest Rate Swap had an aggregate notional amount of $129.5 million. Under the terms of the Swap Agreement Amendment, the Company will pay a weighted-average fixed rate of 0.795% on the notional amount and receive payments from the counterparty based on the 30-day LIBOR rate, effectively modifying the Company's exposure to interest rate risk by converting floating-rate debt to a fixed rate of 4.08%.

HF-T2 Distribution Center Construction Loan

To finance the expansion of the Company's North American distribution center, the JV, through HF Logistics-SKX T2, LLC, a wholly-owned subsidiary of the JV ("HF-T2") entered into a construction loan agreement of up to $73.0 million which matures on April 3, 2025. Under the 2020 Construction Loan Agreement, the interest rate per annum on the HF-T2 2020 Construction Loan is BSBY Daily Floating Rate (as defined therein) plus a margin of 190 basis points, reducing to 175 basis points upon substantial completion of the construction and certain other conditions being satisfied. The weighted-average annual interest rate on borrowings under the HF-T2 Distribution Center Construction Loan was approximately 3.27% during the nine months ended September 30, 2022. The obligations of the JV under this loan are guaranteed by TGD Holdings I, LLC, which is an affiliate of HF.

China Distribution Center Construction Loan

The Company entered into a 700.0 million yuan loan agreement to finance the construction of its distribution center in China which matures on September 28, 2023. The interest rate at September 30, 2022 was 4.00% and may increase or decrease over the life of the loan, and will be evaluated every 12 months. Beginning in 2021, the principal of the loan is repaid in semi-annual installments of variable amounts. The obligations of the China distribution center construction loan, entered through the Company's Taicang Subsidiary are jointly and severally guaranteed by the Company's China joint venture. As of September 30, 2022 and December 31, 2021, the outstanding balance under this loan included approximately $92.3 million and $28.2 million classified as current installments of long-term borrowings in the Company's condensed consolidated balance sheets.

China Distribution Center Expansion Construction Loan (Subsequent Event)

On October 18, 2022, the Company entered into a loan agreement for 1.1 billion yuan with Bank of China Co., Ltd to finance the construction of its distribution center expansion in China. Interest is paid quarterly. The interest rate at October 18, 2022 was 3.4% and may increase or decrease over the life of the loan, and will be evaluated every 12 months. This loan matures 10 years from the initial receipt of funds. Beginning in 2026, the principal of the loan will be repaid in semi-annual installments of variable amounts. The obligations of this loan entered through the Company's Taicang Subsidiary are jointly and severally guaranteed by the Company's China joint venture.

China Operational Loans

The Company has entered certain secured credit facilities to support the operations of its China joint venture. The balance of working capital loans was approximately $46.6 million with interest rates ranging from 3.00% to 4.30% per annum as of September 30, 2022. The balance of working capital loans as of December 31, 2021 was approximately $52.6 million with interest rates ranging from 1.00% to 3.70% per annum. The balance of loans related to a corporate office building in Shanghai was approximately $14.0 million, with interest at 4.13% per annum, as of September 30, 2022 and $17.2 million as of December 31, 2021, with interest at 4.28% per annum, payable at terms agreed by the lender. As of September 30, 2022 the outstanding balances classified as current borrowings in the Company's condensed consolidated balance sheets included $32.9 million related to the working capital loans and $4.2 million related to the office building loans. As of December 31, 2021, the outstanding balances classified as current borrowings in the Company's condensed consolidated balance sheets included $37.6 million related to the working capital loans and $4.0 million related to the office building loans.

(5) Stockholders Equity and Stock Compensation

SHARE REPURCHASE PROGRAM

On January 31, 2022, the Company's Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), pursuant to which the Company may, from time to time, purchase shares of its Class A common stock, for an aggregate repurchase price not to exceed $500 million. The Share Repurchase Program expires on January 31, 2025 and does not obligate the Company to acquire any particular amount of shares. As of September 30, 2022, there was $425.8 million remaining to repurchase shares under the Share Repurchase Program.

The following table provides a summary the Company's stock repurchase activities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Shares repurchased	639,295	—	1,926,781	—
Average cost per share	$ 39.13	$ —	$ 38.53	$ —
Total cost of shares repurchased (in thousands)	$ 25,013	$ —	$ 74,245	$ —

INCENTIVE AWARD PLAN

In the nine months ended September 30, 2022, the Company granted restricted stock with time-based vesting as well as performance-based awards. The performance-based awards include a market condition tied to the Company's total shareholder return in relation to its peer companies as well as a financial performance condition tied to annual earnings per share ("EPS") growth. The vesting and ultimate payout of performance awards is determined at the end of the three-year performance period and can vary from zero to 200% based on actual results. As of September 30, 2022, there were 2,782,132 shares available for grant as equity awards under the 2017 Incentive Award Plan if target levels are achieved for performance-based awards and 2,082,132 if maximum levels are achieved.

The Company issued the following stock-based instruments:

	Nine Months Ended September 30,			
	2022		2021	
	Granted	Weighted-Average Grant-Date Fair Value	Granted	Weighted-Average Grant-Date Fair Value
Restricted stock	1,380,650	$ 38.43	699,300	$ 43.40
Performance-based restricted stock	116,250	$ 42.46	108,750	$ 38.95
Market-based restricted stock	116,250	$ 58.85	108,750	$ 54.34

A summary of the status and changes of the Company's unvested shares is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2021	3,253,316	$ 38.97
Granted	1,613,150	40.19
Vested	(1,266,281)	36.07
Cancelled	(53,633)	40.81
Unvested at September 30, 2022	3,546,552	$ 40.53

The Company determines the fair value of restricted stock awards and any performance-related components based on the closing market price of the Company's common stock on the date of grant. For share-based awards with a performance-based vesting requirement, the Company evaluates the probability of achieving the performance criteria throughout the performance period and will adjust stock compensation expense up or down based on its estimated probable outcome. Certain performance-based awards contain market condition components which are valued on the date of grant using a Monte Carlo simulation model.

For the three months ended September 30, 2022 and 2021, the Company recognized $9.7 million and $14.2 million of incentive stock compensation expense. For the nine months ended September 30, 2022 and 2021, the Company recognized $42.0 million and $39.7 million of incentive stock compensation expense. As of September 30, 2022, the unamortized stock compensation of $98.0 million is expected to be recognized over a weighted-average period of 2.01 years.

STOCK PURCHASE PLAN

A total of 5,000,000 shares of Class A Common Stock are available for sale under the 2018 Employee Stock Purchase Plan ("2018 ESPP"). The 2018 ESPP provides eligible employees of the Company and its subsidiaries the opportunity to purchase shares of the Company's Class A Common Stock at a purchase price equal to 85% of the fair market value on the first trading day or last trading day of each purchase period, whichever is lower. Eligible employees can invest up to 15% of their compensation through payroll deductions during each purchase period. The purchase price discount and the look-back feature cause the 2018 ESPP to be compensatory and the Company recognizes compensation expense, which is computed using the Black-Scholes valuation model.

For the three months ended September 30, 2022 and 2021, the Company recognized $0.6 million and $0.5 million of ESPP stock compensation expense. For the nine months ended September 30, 2022 and 2021, the Company recognized $2.1 million and $1.7 million of ESPP stock compensation expense. As of September 30, 2022, there were 3,914,503 shares available for sale under the 2018 ESPP.

(6) Earnings Per Share

Basic EPS and diluted EPS are calculated by dividing net earnings by the following: for basic EPS, the weighted-average number of common shares outstanding for the period; and for diluted EPS, the sum of the weighted-average number of both outstanding common shares and potentially dilutive common shares using the treasury stock method.

The calculation of EPS is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2022	2021	2022	2021
Net earnings attributable to Skechers U.S.A., Inc.	$ 85,886	$ 103,139	$ 297,513	$ 339,081
Weighted-average common shares outstanding, basic	155,420	155,835	155,783	155,413
Dilutive effect of nonvested shares	813	1,288	931	1,177
Weighted-average common shares outstanding, diluted	156,233	157,123	156,714	156,590
Anti-dilutive common shares excluded above	55	—	40	11
Net earnings per share attributable to Skechers U.S.A., Inc.				
Basic	$ 0.55	$ 0.66	$ 1.91	$ 2.18
Diluted	$ 0.55	$ 0.66	$ 1.90	$ 2.17

(7) Income Taxes

The tax provisions for the three and nine months ended September 30, 2022 and 2021 were computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. The Company's tax rate is subject to management's quarterly review and revision, as necessary. The Company's provision for income tax expense and effective income tax rate are significantly impacted by the mix of the Company's domestic and foreign earnings (loss) before income taxes. In the foreign jurisdictions in which the Company has operations, the applicable statutory rates range from 0.0% to 35.0%, which is on average significantly lower than the U.S. federal and state combined statutory rate of approximately 25%. The Company's effective tax rate was 17.9% and 15.6% for the three months ended September 30, 2022 and 2021, and 19.8% and 19.0% for the nine months ended September 30, 2022 and 2021. The increase for the quarterly and nine-month rates is the result of revisions to the estimated provision compared to the 2021 U.S. federal income tax return finalized in the current quarter and changes in the valuation allowance.

(8) Related Party Transactions

The Skechers Foundation (the "Foundation") is a 501(c)(3) non-profit entity and not a subsidiary or otherwise affiliated with the Company. The Company does not have a financial interest in the Foundation. However, two officers and directors of the Company, Michael Greenberg, the Company's President, and David Weinberg, the Company's Chief Operating Officer, are officers and directors of the Foundation. The Company made contributions to the Foundation of $0.5 million and $1.5 million for the three months ended September 30, 2022 and 2021, and $1.5 million and $2.5 million for the nine-month periods ended September 30, 2022 and 2021. In March 2021, the Company purchased two properties for $2.7 million, from an entity controlled by its President, Michael Greenberg, to facilitate future expansion of our corporate office buildings in Manhattan Beach, California. The terms of the sale were no less favorable than could be obtained from an unrelated third party.

(9) Segment and Geographic Information

During the first quarter of 2022, the Company refined the way in which management assesses performance and allocates resources and now presents its reportable segment results as Wholesale and Direct-to-Consumer. Comparative periods have been recast to reflect these changes. Management continues to evaluate segment performance based primarily on sales and gross margin. Other costs and expenses of the Company are analyzed on an aggregate basis and not allocated to the segments. The following summarizes the Company's operations by segment and geographic area:

Segment Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Wholesale sales	$ 1,191,586	$ 944,465	$ 3,583,216	$ 2,851,803
Gross profit	424,600	361,868	1,294,039	1,110,859
Gross margin	*35.6%*	*38.3%*	*36.1%*	*39.0%*
Direct-to-Consumer sales	$ 686,781	$ 614,011	$ 1,982,549	$ 1,802,999
Gross profit	459,335	415,095	1,311,638	1,205,355
Gross margin	*66.9%*	*67.6%*	*66.2%*	*66.9%*
Total sales	$ 1,878,367	$ 1,558,476	$ 5,565,765	$ 4,654,802
Gross profit	883,935	776,963	2,605,677	2,316,214
Gross margin	*47.1%*	*49.9%*	*46.8%*	*49.8%*

(in thousands)	As of September 30, 2022	As of December 31, 2021
Identifiable assets		
Wholesale	$ 3,700,436	$ 3,816,513
Direct-to-Consumer	2,978,203	2,674,767
Total	$ 6,678,639	$ 6,491,280

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Additions to property, plant and equipment				
Wholesale	$ 69,344	$ 57,185	$ 184,007	$ 182,378
Direct-to-Consumer	30,776	32,222	79,624	53,248
Total	$ 100,120	$ 89,407	$ 263,631	$ 235,626

Geographic Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Geographic sales				
Domestic Wholesale	$ 406,594	$ 354,338	$ 1,466,204	$ 1,132,853
Domestic Direct-to-Consumer	339,174	294,906	898,131	849,339
Total domestic sales	745,768	649,244	2,364,335	1,982,192
International Wholesale	784,991	590,127	2,117,011	1,718,950
International Direct-to-Consumer	347,608	319,105	1,084,419	953,660
Total international sales	1,132,599	909,232	3,201,430	2,672,610
Total sales	$ 1,878,367	$ 1,558,476	$ 5,565,765	$ 4,654,802
Regional Sales				
Americas (AMER)	$ 947,987	$ 815,786	$ 2,928,752	$ 2,396,644
Europe, Middle East & Africa (EMEA)	469,787	318,389	1,285,554	961,955
Asia Pacific (APAC)	460,593	424,301	1,351,459	1,296,203
Total sales	$ 1,878,367	$ 1,558,476	$ 5,565,765	$ 4,654,802
China sales	$ 226,728	$ 278,081	$ 754,676	$ 845,554

(in thousands)	As of September 30, 2022	As of December 31, 2021
Property, plant and equipment, net		
Domestic	$ 835,637	$ 708,763
International	453,883	420,146
Total	$ 1,289,520	$ 1,128,909
China property plant and equipment, net	$ 252,685	$ 255,421

The Company's sales to its five largest customers accounted for approximately 10.3% and 10.1% of total sales for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were 10.2% and 9.0%.

Assets located outside the U.S. consist primarily of cash, accounts receivable, inventory, property, plant and equipment, and other assets. Net assets held outside the U.S. were $4.1 billion and $4.2 billion at September 30, 2022 and December 31, 2021. Goodwill of $93.5 million is included in the Wholesale segment.

The Company performs regular evaluations concerning the ability of customers to satisfy their obligations and provides for estimated doubtful accounts. Domestic accounts receivable generally do not require collateral. Foreign accounts receivable are generally collateralized by letters of credit. The Company's additions to the provision for expected credit losses for the three months ended September 30, 2022 and 2021 were $2.2 million and $2.2 million and for the nine months ended September 30, 2022 and 2021 were $3.3 million and $2.6 million.

The Company's accounts receivables, excluding allowances for bad debts, allowances and chargebacks, by geography are summarized as follows:

(in thousands)	As of September 30, 2022	As of December 31, 2021
Domestic Accounts Receivable	$ 357,634	$ 270,404
International Accounts Receivable	635,092	525,073

The Company's top five manufacturers produced the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(percentage of total production)	2022	2021	2022	2021
Manufacturer #1	14.5	16.3	16.0	17.3
Manufacturer #2	7.8	6.3	6.4	5.8
Manufacturer #3	6.9	5.3	5.7	4.8
Manufacturer #4	6.0	4.8	5.5	4.8
Manufacturer #5	6.0	4.7	5.3	4.5
	41.2	37.4	38.9	37.2

(10) Commitments and Contingencies

In accordance with GAAP, the Company records a liability in its condensed consolidated financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from litigation and governmental proceedings are inherently difficult to predict, particularly when the matters are in the procedural stages or with unspecified or indeterminate claims for damages, potential penalties, or fines. Accordingly, the Company cannot determine the final amount, if any, of its liability beyond the amount accrued in the condensed consolidated financial statements as of September 30, 2022, nor is it possible to estimate what litigation-related costs will be in the future; however, the Company believes that the likelihood that claims related to litigation would result in a material loss to the Company, either individually or in the aggregate, is remote.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and Notes thereto in Item 1 of this report and our annual report on Form 10-K for the year ended December 31, 2021.

We intend for this discussion to provide the reader with information that will assist in understanding our condensed consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our condensed consolidated financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of our company as a whole.

This quarterly report on Form 10-Q contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements with regards to future revenue, projected operating results, earnings, spending, margins, cash flow, orders, expected timing of shipment of products, inventory levels, future growth or success in specific countries, categories or market sectors, continued or expected distribution to specific retailers, liquidity, capital resources and market risk, strategies and objectives. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or simply state future results, performance or achievements, and can be identified by the use of forward-looking language such as "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "will," "could," "may," "might," or any variations of such words with similar meanings. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected in forward-looking statements, and reported results shall not be considered an indication of our future performance. Factors that might cause or contribute to such differences include:

- the COVID-19 pandemic and its adverse impact on our operations and our business, sales and results of operations around the world;
- our ability to manage the impact from delays and disruptions in our supply chain;
- our ability to sustain, manage and forecast our costs and proper inventory levels;
- our ability to continue to manufacture and ship our products that are sourced in China and Vietnam, which could be adversely affected by various economic, political or trade conditions, or a natural disaster in China or Vietnam;
- our ability to maintain our brand image and to anticipate, forecast, identify, and respond to changes in fashion trends, consumer demand for the products and other market factors;
- the loss of any significant customers, decreased demand by industry retailers and the cancellation of order commitments;
- our ability to remain competitive among sellers of footwear for consumers, including in the highly competitive performance footwear market;
- global economic, political and market conditions including the effects of inflation around the world, challenging consumer retail market in the United States ("U.S.") and the impact of Russia's war with Ukraine; and
- other factors referenced or incorporated by reference in our annual report on Form 10-K for the year ended December 31, 2021 under the captions "Item 1A: Risk Factors" and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations."

The risks included herein are not exhaustive. Other sections of this report may include additional factors that could adversely impact our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment, and new risk factors emerge from time to time. We cannot predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Given these inherent and changing risks and uncertainties, investors should not place undue reliance on forward-looking statements, which reflect our opinions only as of the date of this quarterly report, as a prediction of actual results. We undertake no obligation to publicly release any revisions to the forward-looking statements after the date of this document, except as otherwise required by reporting requirements of applicable federal and states securities laws.

OVERVIEW

Sales of $1.9 billion in the third quarter set a new quarterly record, reflecting the robust global demand for our product. Sales increased across both of our segments compared to the same period in 2021. We delivered this global growth despite continued headwinds, including supply chain challenges, adverse foreign exchange rates, and macroeconomic volatility.

Our core product philosophy of comfort, style, innovation, and quality at the right price continues to resonate with consumers, and we remain focused on delivering our comfort technology footwear as quickly as possible to meet the consumer demand.

We remain confident in the strength of our brand and the relevance of our distinct product offering. We continue to invest for growth with a focus on enhancing our global infrastructure, direct-to-consumer technologies and developing innovative footwear. Current global infrastructure investments, technology projects and activities include:

- Expanding our e-commerce presence internationally.
- Completing the expansion of our North American LEED Certified Gold distribution center and leasing additional warehouse space nearby to increase capacity.
- Continuing development on our LEED Certified Gold corporate headquarters expansion and product design center.

RESULTS OF OPERATIONS – THIRD QUARTER

During the first quarter of 2022, the Company realigned its reporting structure to two reportable segments, Wholesale and Direct-to-Consumer. Prior period amounts have been recast. Wholesale includes sales to department stores, family shoe stores, specialty running and sporting goods retailers, and big box club stores; franchisee and licensee third-party store operators; dedicated e-commerce retailers; and international distributors. Direct-to-Consumer includes direct sales to consumers through an integrated retail format of company-owned physical stores and digital platforms and hosted digital marketplaces in select international markets.

Selected information from our results of operations follows:

	Three Months Ended September 30,		Change	
(in thousands)	2022	2021	$	%
Sales	$ 1,878,367	$ 1,558,476	319,891	20.5
Cost of sales	994,432	781,513	212,919	27.2
Gross profit	883,935	776,963	106,972	13.8
Gross margin	*47.1 %*	*49.9 %*		*(280)bps*
Operating expenses				
Selling	150,857	127,845	23,012	18.0
General and administrative	603,107	502,871	100,236	19.9
Total operating expenses	753,964	630,716	123,248	19.5
As a % of sales	*40.1 %*	*40.5 %*		*(30)bps*
Earnings from operations	129,971	146,247	(16,276)	(11.1)
Operating margin	*6.9 %*	*9.4 %*		*(250)bps*
Other expense	(15,139)	(8,049)	(7,090)	88.1
Earnings before income taxes	114,832	138,198	(23,366)	(16.9)
Income tax expense	20,498	21,497	(999)	(4.6)
Net earnings	94,334	116,701	(22,367)	(19.2)
Net earnings attributable to noncontrolling interests	8,448	13,562	(5,114)	(37.7)
Net earnings attributable to Skechers U.S.A., Inc.	$ 85,886	$ 103,139	(17,253)	(16.7)

Sales

Sales increased $319.9 million, or 20.5%, to $1.9 billion compared to $1.6 billion as a result of a 14.9% increase domestically and a 24.6% increase internationally, primarily driven by strength in wholesale sales. Both segments experienced growth, with Wholesale growth of 26.2% and Direct-to-Consumer growth of 11.9%. Sales increased overall due to improved volume and higher average selling prices.

Gross margin

Gross margin decreased 280 basis points to 47.1% compared to 49.9%, primarily the result of increased freight and logistics costs, and a higher proportion of distributor sales, partially offset by average selling price increases.

Operating expenses

Operating expenses increased $123.2 million, or 19.5%, to $754.0 million, and as a percentage of sales improved 30 basis points to 40.1% compared to 40.5% in the prior year. Selling expenses increased $23.0 million, or 18.0%, to $150.9 million, primarily due to higher global digital and brand demand creation expenditures. General and administrative expenses increased $100.2 million, or 19.9%, to $603.1 million, and as a percentage of sales improved 20 basis points to 32.1%. These increased expenses were primarily due to higher labor of $56.5 million as a result of supply chain and logistics challenges, and volume-driven warehouse and distribution expenses of $25.0 million.

Other expense

Other expense of $15.1 million increased $7.1 million, primarily due to unfavorable losses on foreign currency exchange rates, primarily in Europe, Middle East & Africa.

Income taxes

Income tax expense and the effective tax rate were as follows:

(in thousands)	Three Months Ended September 30, 2022	2021
Income tax expense	$ 20,498	$ 21,497
Effective tax rate	17.9%	15.6%

Our income tax expense and effective income tax rate are significantly impacted by the mix of our domestic and foreign earnings before income taxes. In the foreign jurisdictions in which we have operations, the applicable statutory rates range from 0.0% to 35%, which on average is significantly lower than the U.S. federal and state combined statutory rate of approximately 25%. For the quarter, the increase in the effective tax rate is the result of revisions to the estimated provision compared to the 2021 U.S. federal income tax return finalized in the current quarter and changes in the valuation allowance.

Noncontrolling interests in net income of consolidated joint ventures

Noncontrolling interests represents the share of net earnings that is attributable to our joint venture partners. Net earnings attributable to noncontrolling interests decreased $5.1 million to $8.4 million compared to $13.6 million, due to lower earnings by our joint ventures, predominantly in China and partially offset by improvements in other Asia Pacific countries.

RESULTS OF SEGMENT OPERATIONS – THIRD QUARTER

Wholesale

	Three Months Ended September 30,			2022 vs 2021 Change		2021 vs 2020 Change	
(in thousands)	2022	2021	2020	$	%	$	%
Sales	$ 1,191,586	$ 944,465	$ 842,741	247,121	26.2	101,724	12.1
Gross profit	424,600	361,868	344,403	62,732	17.3	17,465	5.1
Gross margin	*35.6%*	*38.3%*	*40.9%*		*(270)bps*		*(260)bps*

2022 to 2021 Comparison

Wholesale sales increased $247.1 million, or 26.2%, to $1.2 billion, led by growth of 58.8% in Europe, Middle East & Africa and 18.1% in the Americas. Volume increased 25.1% in the number of units sold and average selling price per unit increased 1.4%.

Wholesale gross margin decreased 270 basis points to 35.6% due to higher average cost per unit, driven by increased freight costs which were partially offset by average selling price increases.

2021 to 2020 Comparison

Wholesale sales increased $101.7 million, or 12.1%, to $944.5 million, as a result of growth across all regions. Growth was 17.2% in the Americas, 8.1% in Europe, Middle East & Africa, and 7.4% in Asia Pacific. Volume increased 7.3% in the number of units sold and average selling price per unit increased 4.0%.

Wholesale gross margin decreased 260 basis points to 38.3% primarily due to higher average per unit costs and a higher mix of distributor sales, partially offset by average selling price increases.

Direct-to-Consumer

	Three Months Ended September 30,			2022 vs 2021 Change		2021 vs 2020 Change	
(in thousands)	2022	2021	2020	$	%	$	%
Sales	$ 686,781	$ 614,011	$ 461,361	72,770	11.9	152,650	33.1
Gross profit	459,335	415,095	283,934	44,240	10.7	131,161	46.2
Gross margin	*66.9%*	*67.6%*	*61.5%*		*(70)bps*		*610bps*

2022 to 2021 Comparison

Direct-to-Consumer sales increased $72.8 million, or 11.9%, to $686.8 million, led by increases in the Americas of 13.8% and Asia Pacific of 10.0%. Volume increased 11.1% in the number of units sold and average selling price per unit increased 0.6%.

Direct-to-Consumer gross margin decreased 70 basis points to 66.9%, primarily due to higher per unit freight costs partially offset by average selling price increases.

2021 to 2020 Comparison

Direct-to-Consumer sales increased $152.7 million, or 33.1%, to $614.0 million, driven by increases across all regions which experienced COVID restrictions in 2020. Growth was 45.4% in the Americas, 43.5% in Europe, Middle East & Africa, and 11.1% in Asia Pacific. Volume increased 10.7% in the number of units sold and average selling price per unit increased 20.2%.

Direct-to-Consumer gross margin increased 610 basis points to 67.6%, primarily driven by higher average selling prices.

RESULTS OF OPERATIONS – NINE MONTHS

Selected information from our results of operations follows:

	Nine Months Ended September 30,		Change	
(in thousands)	2022	2021	$	%
Sales	$ 5,565,765	$ 4,654,802	910,963	19.6
Cost of sales	2,960,088	2,338,588	621,500	26.6
Gross profit	2,605,677	2,316,214	289,463	12.5
Gross margin	*46.8 %*	*49.8 %*		*(290)bps*
Operating expenses				
Selling	425,675	360,640	65,035	18.0
General and administrative	1,719,969	1,450,449	269,520	18.6
Total operating expenses	2,145,644	1,811,089	334,555	18.5
As a % of sales	*38.6 %*	*38.9 %*		*(40)bps*
Earnings from operations	460,033	505,125	(45,092)	(8.9)
Operating margin	*8.3 %*	*10.9 %*		*(260)bps*
Other expense	(40,144)	(20,065)	(20,079)	100.1
Earnings before income taxes	419,889	485,060	(65,171)	(13.4)
Income tax expense	83,229	92,027	(8,798)	(9.6)
Net earnings	336,660	393,033	(56,373)	(14.3)
Net earnings attributable to noncontrolling interests	39,147	53,952	(14,805)	(27.4)
Net earnings attributable to Skechers U.S.A., Inc.	$ 297,513	$ 339,081	(41,568)	(12.3)

Sales

Sales increased $911.0 million, or 19.6%, to $5.6 billion compared to $4.7 billion reflecting a 19.3% increase domestically and a 19.8% increase internationally, with the largest contribution derived from wholesale sales. Both segments experienced increases with Wholesale increasing 25.6% and Direct-to-Consumer increasing 10.0%. Sales increased overall due to improved volume and higher average selling prices.

Gross margin

Gross margin decreased 290 basis points to 46.8% compared to 49.8%, primarily driven by increased freight and logistics costs, and an increased mix of wholesale sales, partially offset by average selling price increases.

Operating expenses

Operating expenses increased $334.6 million, or 18.5%, to $2.1 billion, and as a percentage of sales improved 40 basis points to 38.6% compared to 38.9% in the prior year. Selling expenses increased $65.0 million, or 18.0%, to $425.7 million from $360.6 million, primarily due to higher demand creation expenditures. General and administrative expenses increased $269.5 million, or 18.6%, to $1.7 billion, primarily due to higher labor and compensation costs of $139.3 million and volume-driven warehouse and distribution expenses of $39.9 million.

Other expense

Other expense increased $20.1 million to $40.1 million, compared to $20.1 million, primarily due to unfavorable losses on foreign currency exchange rates in Europe, Middle East & Africa.

Income taxes

Income tax expense and the effective tax rate were as follows:

	Nine Months Ended September 30,	
(in thousands)	2022	2021
Income tax expense	$ 83,229	$ 92,027
Effective tax rate	19.8%	19.0%

Our provision for income tax expense and effective income tax rate are significantly impacted by the mix of our domestic and foreign earnings (loss) before income taxes. In the foreign jurisdictions in which we have operations, the applicable statutory rates range from 0.0% to 35.0%, which on average are generally significantly lower than the U.S. federal and state combined statutory rate of approximately 25%. Year-to-date, the increase in the effective tax rate was the result of revisions to the estimated provision compared to the 2021 U.S. federal income tax return finalized in the current quarter and changes in the valuation allowance.

Noncontrolling interest in net income of consolidated joint ventures

Noncontrolling interest represents the share of net earnings that is attributable to our joint venture partners. Net earnings attributable to noncontrolling interest decreased $14.8 million to $39.1 million compared to $54.0 million, primarily due to lower earnings by our joint ventures, predominantly in China which were partially offset by improvements in other Asia Pacific countries.

RESULTS OF SEGMENT OPERATIONS – NINE MONTHS

Wholesale

	Nine Months Ended September 30,			2022 vs 2021 Change		2021 vs 2020 Change	
(in thousands)	2022	2021	2020	$	%	$	%
Sales	$ 3,583,216	$ 2,851,803	$ 2,114,748	731,413	25.6	737,055	34.9
Gross profit	1,294,039	1,110,859	832,369	183,180	16.5	278,490	33.5
Gross margin	*36.1%*	*39.0%*	*39.4%*		*(280)bps*		*(40)bps*

2022 to 2021 Comparison

Wholesale sales increased $0.7 billion, or 25.6%, to $3.6 billion, driven primarily by growth of 31.7% in the Americas and Europe, Middle East & Africa of 34.8%. Volume increased 20.8% in the number of units sold and average selling price per unit increased 4.4%.

Wholesale gross margin decreased 280 basis points to 36.1% due to higher average cost per unit, primarily driven by increased freight and logistics costs, partially offset by average selling price increases.

2021 to 2020 Comparison

Wholesale sales increased $0.7 billion, or 34.9%, to $2.9 billion, as a result of growth across the Americas of 38.3%, Asia Pacific of 40.2%, and Europe, Middle East & Africa of 25.5% which were impacted by 2020 COVID-related market closures. Volume increased 29.7% in the number of units sold and average selling price per unit increased 4.0%.

Wholesale gross margin decreased 40 basis points to 39.0% primarily due to higher average per unit costs and a higher mix of distributor sales, partially offset by average selling price increases.

Direct-to-Consumer

	Nine Months Ended September 30,			2022 vs 2021 Change		2021 vs 2020 Change	
(in thousands)	2022	2021	2020	$	%	$	%
Sales	$ 1,982,549	$ 1,802,999	$ 1,169,017	179,550	10.0	633,982	54.2
Gross profit	1,311,638	1,205,355	720,046	106,283	8.8	485,309	67.4
Gross margin	*66.2%*	*66.9%*	*61.6%*		*(70)bps*		*530bps*

2022 to 2021 Comparison

Direct-to-Consumer sales increased $179.6 million, or 10.0%, to $2.0 billion, led by increases in the Americas of 9.3%, Europe, Middle East & Africa of 27.6%, and Asia Pacific of 6.7%. Volume increased 3.4% in the number of units sold and average selling price per unit increased 6.3%.

Direct-to-Consumer gross margin decreased 70 basis points to 66.2%, driven by increased freight costs, partially offset by average selling price increases.

2021 to 2020 Comparison

Direct-to-Consumer sales increased $0.6 billion, or 54.2%, to $1.8 billion, driven by increases of 59.5% in the Americas, and 43.1% in Asia Pacific, and 71.0% in Europe, Middle East & Africa which experienced COVID restrictions in 2020. Volume increased 32.7% in the number of units sold and average selling price per unit increased 16.2%.

Direct-to-Consumer gross margin increased 530 basis points to 66.9%, primarily driven by higher average selling prices.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity outlook

We have cash and cash equivalents of $508.3 million at September 30, 2022. Amounts held outside the U.S. were $440.5 million, or 86.7%, and approximately $146.7 million was available for repatriation to the U.S. as of September 30, 2022 without incurring additional U.S. federal income taxes and applicable non-U.S. income and withholding taxes.

We borrowed $25.0 million during the quarter on our revolving credit facility for working capital management. As of September 30, 2022, our unused credit capacity under this agreement was $722.2 million with an additional $250.0 million available through an accordion feature. We believe that anticipated cash flows from operations, existing cash and investments balances, available borrowings under our revolving credit facility, and current financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements for the next twelve months.

Cash Flows

Our working capital at September 30, 2022 was $2.0 billion, an increase of $0.1 billion from working capital of $1.9 billion at December 31, 2021. Our cash and cash equivalents at September 30, 2022 were $508.3 million, compared to $796.3 million at December 31, 2021. Our primary sources of operating cash are collections from customers. Our primary uses of cash are working capital, selling, general and administrative expenses and capital expenditures.

Operating Activities

For the nine months ended September 30, 2022, net cash used in operating activities was $42.8 million compared to net cash provided of $253.2 million for the nine months ended September 30, 2021. The $296.1 million decrease in operating cash flows primarily resulted from increased inventory purchases and receivables balances on wholesale sales and lower net earnings.

Investing Activities

Net cash used in investing activities was $192.7 million for the nine months ended September 30, 2022 compared to $256.1 million for the nine months ended September 30, 2021. The $63.4 million decrease was due to reduced net investment activity of $91.4 million, offset by increased capital expenditures of $28.0 million.

Our capital investments remain focused on supporting our strategic growth priorities, growing our Direct-to-Consumer business, as well as expanding the presence of our brand internationally. Capital expenditures for the nine months ended September 30, 2022 were $263.6 million, which included $92.1 million related to the expansion of our global distribution infrastructure; $79.9 million related to investments in our retail stores and direct-to-consumer technologies; and $67.0 million of investments in our expanded corporate offices domestically and in India. We expect our annual capital expenditures for 2022 to be approximately $300.0 million to $325.0 million, which is primarily related to the expansion of our worldwide distribution capabilities, continued investments in retail and e-commerce technologies and stores, and our corporate offices in Southern California. We expect to fund ongoing capital expenses through a combination of available cash and borrowings.

Financing Activities

Net cash used in financing activities was $48.6 million during the nine months ended September 30, 2022 compared to $415.5 million during the nine months ended September 30, 2021. The decrease is primarily the result of lower repayments on long-term borrowings of $447.5 million, partially offset by repurchasing $74.2 million of common stock.

Capital Resources and Prospective Capital Requirements

Financing Arrangements

As of September 30, 2022, outstanding short-term and long-term borrowings were $393.4 million, of which $293.9 million relates to loans for our domestic and China distribution centers, $60.6 million relates to our operations in China, and the remainder relates to our international operations. Our long-term debt obligations contain both financial and non-financial covenants, including cross-default provisions. We were in compliance with all debt covenants related to our short-term and long-term borrowings as of the date of this quarterly report. See Note 4 – Financial Commitments of the Condensed Consolidated Financial Statements for additional information.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our Unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies and estimates did not change materially during the quarter ended September 30, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes from the information previously reported under Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Item 4. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, we performed an evaluation under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the design and effectiveness of our disclosure controls and procedures, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the SEC's rules and forms. Our CEO and CFO also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Michael Conte v. Robert Greenberg, et al. – On July 21, 2022, Skechers and certain past and present members of the Board of Directors were sued by a stockholder on behalf of our company in a derivative action in the Chancery Court of the State of Delaware, Case No. 2022-0633, alleging breach of fiduciary duty, waste of corporate assets, breach of duty of candor and breach of contract in connection with certain executive officers' personal use of two company-owned aircraft. The complaint seeks actual damages in favor of Skechers sustained as the alleged result of defendants' alleged breaches of fiduciary duties, judgment directing our company to take all necessary actions to reform and improve its corporate governance practices, termination of certain executive officers for allegedly violating their employment agreements, judgment directing the sale of one of the company-owned aircraft and attorneys', accountants' and experts' fees, costs and expenses. We believe that we have meritorious defenses and intend to defend this matter vigorously. Notwithstanding, given the early stages of these proceedings and the limited information available, we cannot predict the outcome of this legal proceeding or whether an adverse result in this case would have a material adverse impact on our results of operations or financial position.

In addition to the matters included in our reserve for loss contingencies, we occasionally become involved in litigation arising from the normal course of business, and we are unable to determine the extent of any liability that may arise from any such unanticipated future litigation. We have no reason to believe that there is a reasonable possibility or a probability that we may incur a material loss, or a material loss in excess of a recorded accrual, with respect to any other such loss contingencies. However, the outcome of litigation is inherently uncertain and assessments and decisions on defense and settlement can change significantly in a short period of time. Therefore, although we consider the likelihood of such an outcome to be remote with respect to those matters for which we have not reserved an amount for loss contingencies, if one or more of these legal matters were resolved against our company in the same reporting period for amounts in excess of our expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected.

Item 1A. Risk Factors

Except as described below, there have been no material developments with respect to the information previously reported under Part I, Item 3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Risks Related to Economic, Political and External Factors

The Uncertainty Of Global Market Conditions May Continue To Have A Negative Impact On Our Business, Results Of Operations Or Financial Condition.

The uncertain state of global economic and political conditions, including the impact of inflation and challenging consumer retail market, may negatively impact our business, which depends on the general economic environment and levels of consumers' discretionary spending. If the current economic situation does not improve or if it weakens, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new retail stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, or maintain or improve our earnings from operations as a percentage of sales. Furthermore, Russia's war with Ukraine and the subsequent economic sanctions imposed by the U.S., NATO and other countries may impact the economic conditions or our ability to sell products to customers in the affected region. The conflict could also have broader implications on economies outside the region, such as the global inflationary impact of a potential boycott of Russian oil and gas by other countries. If there is an unexpected decline in sales, our results of operations will depend on our ability to implement a corresponding and timely reduction in our costs and manage other aspects of our operations. These challenges include (i) managing our infrastructure, (ii) hiring and maintaining, as required, the appropriate number of qualified employees, (iii) managing inventory levels and (iv) controlling other expenses. If the uncertain global market conditions continue for a significant period or worsen, our results of operations, financial condition, and cash flows could be materially adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In January 2022, the Board of Directors approved a $500 million share repurchase program. The program allows the Company to repurchase shares of Class A common stock from time to time and does not obligate the Company to acquire any particular amount. The following table summarizes the share repurchase activity during the quarter ended September 30, 2022.

Month Ended	Total Number of Shares Purchased	Average Price Paid Per Share	Maximum Dollar Value of Shares that May Yet Be Purchased under the Program (in thousands)
July 31, 2022	—	$ —	$ 450,768
August 31, 2022	573,860	39.24	428,249
September 30, 2022	65,435	38.11	425,755
Total	639,295	$ 39.13	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Loan Contract, dated October 18, 2022, between Skechers Taicang Trading and Logistics Co Limited, a wholly owned subsidiary of Skechers China Limited, which is a joint venture of the Registrant, and Bank of China Co., Ltd., regarding distribution center in Taicang, China.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the quarterly report on Form 10-Q of Skechers U.S.A., Inc. for the quarter ended September 30, 2022 formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Earnings; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to the Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* In accordance with Item 601(b)(32)(iv) of Regulation S-K, portions of this exhibit have been omitted.

** In accordance with Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

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.

Date: November 4, 2022

SKECHERS U.S.A., INC.

By: /s/ John Vandemore
John Vandemore
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Signatory)

Loan Contract for Fixed Assets

(Applicable to newly signed RMB interest, non-USD/GPB/Euro/JPY/SF foreign currency interest, and USD/GBP/Euro/JPY/SF new benchmark interest rate loan in China)

No. 2022 SoochowTaicang476758095 fixed assets borrow. No. 01

Borrower: Skechers Taicang Trading & Logistics Company.
Unified social credit code:______[*]________
Legal representative： Zhaoming.Chen
Domicile: Tonggang Road, Fuqiao Town, Taicang City, Jiangsu Province P.C.: 215434
Opening financial institutions and account No.: Taicang Branch of Bank of China
Telephone No.: 020-89160222 Fax No.: 020-89160222

Loaner: Taicang Branch of Bank of China Co., Ltd.
Legal representative/principal: ___________
Domicile: No. 68, Xinhua East Road, Taicang City, Jiangsu Province P.C.: 215400
Telephone No.: 0512-53524480 Fax No.: 0512-53524480

Through fair negotiation, the Borrower and the Loaner reach agreement on the loan for fixed assets issued by the Loaner to the Borrower, and conclude the Contract.

Article 1 Amount of loan

Currency of loan: RMB.
Amount of loan: (in words): RMB 1,100 million;
(In number) ￥1,100,000,000.00.

Article 2 Terms of the loan

Term of the loan: 120 months__/__ days, starting from actual date of withdrawal; as for withdrawal by installment, the date of the first withdrawal shall prevail.

The Borrower shall withdraw strictly in accordance with the specified time. If the date of actual withdrawal is later than the specified withdrawal date, the Borrower shall repay in accordance with the time of repayment specified in the Contract.

Article 3 Loan application

Loan application: project construction.

Without the Loaner's written consent, the Borrower is not permitted to change the loan application, including but not limited to the Borrower's not using the loan for stock and other securities investment, projects forbidden by any laws, rules, supervision codes, and national policy, or projects not approved according to laws, not used for sub-loan or buying other financial products to make divestiture, increasing local governments' hidden debts in violation rules, and projects and application not invested by bank loan.

* Certain identified information has been excluded from the exhibit because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed.

Article 4 Loan interest rate and interest computing and settlement

The Loaner shall make the annualized interest rate clear under the Contract to the Borrower through annex to the Contract *Notice of Annualized Interest Rate of Loan*. If the annualized interest rate of the loan under the Contract is computed in accordance with the interest rate of the loan in Clause 1 of the Article, the *Notice of Annualized Interest Rate of Loan* is not applied.

1. Loan interest rate

Interest rate of the loan (annualized interest rate, the RMB loan is single interest, and foreign exchange loan is □ single interest/□ single interest and composite interest rate combination (any of both)), with the 2nd method below:

(1) Fixed interest rate, annual interest rate __/__%, and the contract interest rate during the term of the loan remains unchanged.

× Fixed interest rate source of RMB loan: loan market interest rate of □ 1year/□ more than 5 years (tick any of them) latest issued by the national interbank borrowing center 1 working day before effectiveness of the Contract □ plus/□ minus (tick any of them) __/__base points;

× Fixed interest rate source of the foreign exchange loan:

A. The applicable benchmark interest rate on the effective date (date T) of the Contract plus __/____base points. The benchmark interest rate is the interest rate of working day T-3 of □TIBOR □EURIBOR□__/__of the corresponding ___/__ (term) under the specified loan under the Contract displayed on the Bloomberg Financial Telecommunication terminal page or Reuters Information System. If the benchmark interest rate of foreign currency is negative, the benchmark interest rate of foreign currency is zero. The working day referred to in the paragraph refers to local working day of the pricing benchmark management body of the corresponding currency.

B. The applicable benchmark interest rate on the effective date of the Contract (day T, if the effective date of the Contract is not working day, the latest working day is the day T) plus __/__ base points. The benchmark interest rate is the interest rate of _/_ T-5 working day of the corresponding□ SOFR □SONIA □TONA □ESTR □SARON of the corresponding loan currency under the Contract displayed on the Bloomberg Telecommunication Terminal page. If the benchmark interest rate of foreign currency is negative, the benchmark interest rate of foreign currency is zero. The working day referred to in the paragraph refers to local working day of the pricing benchmark management body of the corresponding currency.

C. The latest __/__ months __/___ (benchmark foreign currency interest) plus ___/__base points obtained before 9:00 (Beijing Time) 1 working day from the effective date of the Contract plus __/__ base points. If the benchmark interest rate of foreign currency is negative, the benchmark interest rate of foreign currency is zero. (Remarks: this clause is applicable to other foreign currency term interest rate out of USD, GBP, JPY, Euro, and SF)

(2) Floating interest rate, the actual date of withdrawal (for withdrawal by installment, the first date of actual withdrawal) shall be the commencement date, and □ each day √ each 12_ months □ each _/__year is a floating period and shall be re-priced one time. The re-pricing day is the first day of the next floating period, namely the corresponding day of the current month of the re-pricing day; where there is no corresponding day in the current month, it shall be the last day of the current month; if the floating period is each day, the repricing day is the current day of the next floating period.

Regarding each withdrawal:

√Floating interest rate of RMB loan

A. The interest rate of the period (in the period from the actual date of withdrawal till the expiry date of the current period) is the latest loan market interest rate of □ 1 year/√ more than 5 years (mark any of them) □ plus/√ minus (mark any of them) _90__ base points from the national interbank borrowing center 1 working day before the actual date of withdrawal;

B. On the repricing day, the repricing shall be made in accordance with the latest loan market interest rate of □ 1 year/√ more than 5 years issued by the national interbank borrowing center 1 working day before the repricing day □ plus/√ minus (mark any of them) __90___ base points with other withdrawals as the applicable interest rate of the floating period.

× **Floating interest rate of foreign currency loan**

A. If the term interest rate is applied, the interest is computed according to the following rules: the interest rate of the first period (from the actual date of withdrawal to the expiry of the floating period) shall be the applicable benchmark interest rate of the actual date of withdrawal (day T) plus the interest rate difference __/___ base points, and the benchmark interest rate shall be the interest rate of __/__ T-3 working day of the corresponding __/__ term of □TIBOR □EURIBOR □ under the Contract obtained from Bloomberg Financial Telecommunication or Reuters Information System with other withdrawals plus the interest rate _/__ base points as the applicable interest rate of the floating period. The interest rate during the contract period remains unchanged. If the benchmark interest rate of foreign currency is negative, the benchmark interest rate of foreign currency is zero. The working day referred to in the paragraph refers to local working day of the pricing benchmark management body of the corresponding currency.

B. If overnight rate is applied, the interest-bearing interest rate shall be determined in accordance with the following rules: the benchmark interest rate___ /___ of the corresponding □SOFR □SONIA □TONA □ESTR □SARON□ of the corresponding loan currency under the Contract on each interest-bearing day (namely the natural day during the loan term, the same below) plus interest rate difference __/___ base points. Subsequently, the Loaner fixed the interest rate of the interest-bearing day based on the applicable benchmark rate and the interest rate difference. On the interest-bearing date, the daily priced benchmark interest rate shall be determined: the first interest rate determination data is the date of actual withdrawal, and the subsequent interest rate shall be each interest-bearing day after determination of the first interest determination data. The applicable benchmark interest data on the interest rate determination day (day T, if the interest rate determination day is not the working day, the latest working day shall be day T) shall be the interest rate of __/__ T-5 working day of the corresponding □SOFR □SONIA □TONA □ESTR □SARON under the Contract displayed on Bloomberg Financial Telecommunication terminal. The interest rate difference remains unchanged during the contract period. If the benchmark interest rate of foreign currency is negative, the benchmark interest rate of foreign currency is zero. The working day referred to in the paragraph refers to local working day of the pricing benchmark management body of the corresponding currency.

C. The interest rate of the first period (from the date of actual withdrawal to the expiry of the current floating period) is the latest ___/__ months ___/__ (basic foreign currency interest) obtained before 9:00 (Beijing Time) 1 working day before the actual date of withdrawal from Reuters Information System plus ____ /__ base points. On the repricing date, the latest current floating period ___/___ (basic foreign currency interest rate) obtained before 9:00 (Beijing Time) 1 working day before the date of withdrawals with other withdrawals plus __/___ base points shall be repriced and treated as applicable interest rate of the floating period. If the basic foreign currency interest rate is negative, the benchmark interest rate of foreign currency is 0. (Remarks: this clause is applicable to other foreign currency term interest rate out of USD, GBP, JPY, Euro, and SF).

2. Computing of interest

(1) As for fixed interest rate described in Item (1) of Clause 1 of the Article, RMB loan floating rate in Item (2) of Clause 1, and floating interest rates options A and C of foreign exchange loan:

The interest is computed from the actual date of withdrawal in accordance with actual amount of withdrawal and the number of days of fund occupation.

Computing formula of interest: interest=principal×actual number of days×daily interest rate.

The computing basis of daily interest rate is 360 days a year, and conversion formula: daily interest rate=annual interest rate/360.

(2) As for foreign exchange loan floating interest rate option B of Item (2) of Clause 1 of the Article:

The interest is computed from the actual date of withdrawal in accordance with actual amount of withdrawal and the number of days of fund occupation.

× Single interest computing: as for the part computed in accordance with the pricing benchmark and the part computed in accordance with the interest difference, the interest shall be computed in accordance with single interest.

× Single interest and composite interest combination computing: as for the part computed in accordance with the pricing benchmark, interest of such a part on each working day=(loan principal+ total amount of the interest of such a part till the last day)×applicable benchmark date interest on the same date; single interest computing shall be applied on non-working days. The interest difference interest shall be computed on single interest.

The computing basis of daily interest is 360 days a year, and conversion formula: daily interest rate/360.

The above working refers to the local working day of pricing benchmark management body of the corresponding currency.

3. Interest settlement method

The Borrower settles interest in accordance with the 1st method below:

(1) Quarterly interest settlement, the 20th day of the last month of each quarter is the interest settlement date, and the 21st day is the date of interest payment.

(2) Monthly interest settlement, the 20th day of each month is the interest settlement date, and the 21st day is the date of interest payment.

If the liquidation date of the last installment of the loan principal does not fall on the date of interest payment, the liquidation date of the last installment of the loan principal is the date of interest payment, and the Borrower shall pay off all interest payable.

4. Default interest

(1) As for the loan overdue or not used as specified in the Contract, from the date of overdue or misappropriation, default interest of the overdue or misappropriated part shall be charged as specified in the Article until the principal and interest have been paid off.

As for the loan both overdue and misappropriated, the higher default interest rate shall be used to charge the default interest rate.

(2) As for the Borrower's interest and default interest not paid on time, the composite interest is computed in accordance with the specified interest settlement mode in Clause 3 and the specified default interest rate.

(3) Default interest rate (remarks: fill in accordance with the loan currency and interest rate)

RMB loan default interest rate,

× Default interest rate of loan with fixed interest rate

A. Floating interest rate. The floating period is __/__ months___/_ years. (Filling notes: as for loan of fixed interest rate within one year, the floating period is the original loan period; as for loan of fixed interest with loan period of more than one year, the floating period is one year). As of the overdue or misappropriated date, each floating period shall be re-priced. The repricing date is the corresponding date of the overdue or misappropriated date in the month of repricing; where there is no corresponding date, the last date of the current month is the re-pricing date.

B. The default interest rate of the overdue loan is the benchmark default interest rate determined in option C of the clause plus __/___%, and the default interest rate of the misappropriated loan shall be the benchmark default interest rate plus __/___%.

C. Within the first floating period, the benchmark default interest rate is the loan interest rate specified in Clause 1 of the Article. After expiry of each floating period, the benchmark default interest rate of the next floating period is the loan market quotation interest rate of □ 1-year term/□ more than 5 years (tick any of them) latest issued by the national interbank borrowing center 1 working day before the repricing date □ plus/□ minus (tick any of them) __/__ base points.

√ **Default interest rate of loan with floating interest rate**

A. As of the date of overdue or misappropriated, the floating period specified in Clause 1 of the Article shall be applied. The repricing date of the default interest shall be the corresponding date of the date of overdue or misappropriated in the current month of repricing. Where there is no corresponding date, the last date of the current month is the repricing date of the default interest.

B. The default interest rate of the overdue loan shall be benchmark default interest rate determined in option C of the Article plus _40_%, and the default interest rate of misappropriated loan shall be benchmark default interest rate determined in option C of the Article plus__70__%.

C. The benchmark default interest rate within the first floating period is the actually executed loan interest rate in the period of overdue or misappropriated loan. The benchmark default interest rate of the next floating period after expiry of the floating period shall be re-priced specified in Clause 1 of the Article.

Default interest rate of foreign exchange loan,

× **Default interest rate of loan with fixed interest rate**

The overdue loan default interest is the loan interest rate determined in Item (1) of Clause (1) of the Article plus ____/__ base points, and the misappropriated loan default interest is the loan interest rate determined in Item (1) of Clause 1 of the Article plus _/___base points.

× **Default interest rate of the loan with floating interest rate**

A. The floating cycle of the default interest and the repricing date shall be determined in accordance with Item (2) of Clause 1 of the Article, the benchmark default interest rate in the first floating cycle shall be the actually executed loan interest rate in the period with overdue loan or misappropriated loan. The default interest rate of the next floating period after expiry of each floating period shall be repriced on the repricing date in accordance with Item (2) of Clause 1 of the Article on the repricing date.

B. The default interest rate of the overdue loan shall be the benchmark default interest rate determined in option A plus __/___ base points, and the default interest rate of the misappropriated loan shall be the benchmark default interest rate determined in option A plus __/__ base points.

× **Default interest rate of loan with floating interest rate**

A. As of overdue or misappropriation date, the benchmark default interest rate is floated in accordance with the interest settlement period, and the benchmark default interest rate of each interest settlement period shall be the actual execution interest of the previous interest settlement period.

B. The default interest rate of the overdue loan shall be benchmark default interest rate determined in option A of the Article plus __/__ base points, and the default interest rate of the misappropriated loan shall be the benchmark default interest rate determined in option A of the Article plus __/__base points.

5. Miscellaneous

(1) The "loan interest rate" and the "default interest rate" under the Contract are tax-bearing interest rate, namely the interest rate charged against the Borrower by the Loan shall include the VAT to be paid in accordance with the national laws and regulations.

(2) In case of significant changes of the pricing benchmark of the floating interest rate under the Contract, the then valid market code shall apply. If the Loaner requires the Borrower to sign the supplementary contracts for relevant issues, the Borrower shall cooperate.

(3) The "pricing benchmark" and the "benchmark interest rate" in the Clause shall have the same meaning.

(4) Under the Contract, "TIBOR" refers to the TIBOR issued and managed by Japanese Banker Association as the manager (or succession manager), "EURIBOR" refers to EURIBOR issued and managed by European Currency Market Institute as manager (or succession manager), "overnight SOFR" refers to the overnight SOFR issued and managed by the Federal Reserve Bank of New York as manager (or succession manager), the "overnight SONIA" refers to the overnight SONIA issued and managed by the Bank of England as manager (or succession manager), the "overnight TONA" refers to the overnight TONA issued and managed by the Bank of Japan as manager (or succession manager), the "overnight ESTR" refers to the overnight ESTR issued and managed by the European Central Bank as manager (or succession manager), and the "overnight SARON" refers to the overnight SARON issued and managed by Swiss Stock Exchange as manager (or succession manager).

Article 5 Withdrawal conditions

The Borrower's withdrawal shall meet the following conditions:

1. The Contract and the annexes hereof have come into force;

2. The Borrower has reserved the Borrower's documents, receipts, seals, staff list, and signature sample for the Loaner for the purpose of concluding and performing the Contract, and filled relevant vouchers;

3. The Borrower has opened the required account for performing the Contract in accordance with the Loaner's requirements;

4. The Borrower submits the written withdrawal application and certificates of loan application to the Loaner 5 banking days before the withdrawal to proceed the withdrawal procedures;

Certificates submitted by the Borrower shall include: _______/_____;

The forementioned certificates shall meet the following requirements: ____/____.

5. × The Borrower has submitted the resolutions and letter of authorization approved by the Board of Directors or other competent authorities for signing and performing the Contract;

6. The capital proportional to the proposed issued loan has been in place, and the actual project progress and the invested amount are matched;

7. As for fixed asset investment projects with large investment, high professional requirements, and installment as per project progress, the Loaner has the right to require the Borrower to offer written documents confirming project progress and quality participated by and signed by supervisors, evaluators, and quality inspectors.

8. The Borrower has offered guarantee in accordance with the Loaner's requirements, and the guarantee contract has come into force and finished statutory approval, registration or archiving procedures;

9. The project four certificates are all completed, all the crucial elements are matched, the procedures are legal, withdrawals can be made in steps according to progress and based on the construction project planning license and building

construction license.

10. The borrower needs to complete the project land use rights of not less than 132,884.70 square meters of the first subordinate mortgage registration procedures, the lender maximum corresponding to the total amount.

11. The borrower project capital of not less than 372,338,500 yuan, and the project capital ratio of not less than 25.29%, the borrower capital and the lender loan will be in place in the same proportion.

12． The borrower and the lender agreed: ① to the completion of the project and obtain the title certificate within one month, the borrower will mortgage to the lender the built real estate; ② The borrower in the repayment of all the loan principal and interest before the lender shall not draw back shareholders investment, not in any form of misappropriation of project funds, the distribution of profits subject to the consent of the lender; ③ If the project construction cost overrun or funding gap, the excess or gap part The borrower's shareholders shall raise their own funds to solve the problem; ④ During the loan period, if the borrower has difficulties in repaying the debt, the borrower's shareholders shall provide financial support to ensure that the borrower will repay the principal and interest on time; ⑤ The project land and construction in progress shall not be mortgaged to a third party other than the lender, and the borrower shall not provide new external guarantees. (6) During the loan period, the income generated by the project shall be pooled to the account established by the lender in accordance with the lender's requirements (account no.), to be used for loan repayment as a priority and shall not be misappropriated.

13. Withdrawal progress must match the progress of the project and shall not be used for any payment of funds outside this project.

14. The borrower in the lender to open a special account for the supervision of funds (Account No.), the income is returned to the lender's supervision special account according to no less than the lender's credit share, and the whole process of monitoring the return of sales funds is implemented. Within one month before repayment, the borrower's funds in the lender's account should be no less than the current principal and interest repayment amount, and the shortfall must be made up with its own funds.

15. The borrower project completed and obtained the title certificate within one month after the completion of the mortgage guarantee procedures for the real estate built.

16. Laws and regulations, and other withdrawal conditions specified by both parties: _/__.

If the above withdrawal conditions are not satisfied, the Loaner has the right to reject the Borrower’s withdrawal application, unless the Loaner agrees to issue the loan.

Article 6 Time and method of withdrawal

1. The Borrower shall withdraw according to time and method in _2nd_ below:

(1) Lump-sum withdrawal on D_/__M__/_Y__/__.

(2) Full withdrawal within __3.5_ years from D ___M____Y_____.

(3) Withdrawal by installment according to the following time:

Time of withdrawal	Amount of withdrawal
/	/
/	/
/	/

(4) According to the project progress, the Borrower files application by installment and withdraws with the Loaner’s consent, but the Borrower shall make full withdrawal no later than D__/__M__/__Y___/___.

2. As for the part not withdrawn beyond the above time, the Loaner has the right to reject the Borrower’s withdrawal

application.

3. Commitment fee (if the Borrower is small and micro-enterprise, delete the clause; if the Borrower is not small and micro-enterprises, reserve 1 of the 3 options, and delete other options)

The Loaner offers commitment services for the Borrower's withdrawable but not withdrawn amount (hereinafter referred to as the "not withdrawn amount") during the commitment service period (from the effective date of the loan contract till the withdrawal date specified in the Contract). Through negotiation, the Borrower and the Loaner specify the commitment fee as follows:

× The Borrower pays commitment fees for the above commitment services. The specific amount shall be computed in accordance with amount unwithdrawn, the number of days unwithdrawn, and the annual rate __/__%. The specific charging date and the actual charging amount after computing shall be detailed in the *Committed Service Agreement* signed during the committed service period.

× The Borrower commits to pay commitment fees for the above committed service. The negotiated commitment fee is RMB _ / _ Yuan, and the charging date is ___/_____. (Remarks: the commitment fee shall be collected in lump-sum or by installment, and if made by installment, the date of filling and the amount shall be filled).

× According to the principle of "charges reduction and profit surrendering", the Loaner exempts the above committed service fees, and the evaluated exempted amount is RMB _ / _ Yuan.

Article 7 Payment of the loan fund

1. Loan distribution account

The Borrower opens the following account at the Loaner as the loan distribution account, and the issuance and payment of the loan shall be processed via the account. √ This is a special account and can be only used for issuance and payment of the loan, and cannot be used for payment of other amounts. (Remarks: this is an optional expression, and delete if not applicable).

Account name.: Skechers Taicang Trading & Logistics Company.

Account No.: ________________________________

2. Payment of the loan fund

(1) The loan fund shall be in accordance with laws and regulations, supervision codes and the Contract, and the loan fund payment method of single withdrawal shall be confirmed in the withdrawal application. Where the Loaner holds the opinions that the loan fund chosen in the withdrawal application is not in conformity with requirements, it has the right to change the payment method or stop issuance and payment of the loan fund.

(2) The Loaner's consigned payment, according to the Borrower's withdrawal application and payment consignment, the Loaner shall pay the loan fund to the Borrower's counterparty in conformity with the Contract.

A. According to relevant rules and regulations by the Bank and Insurance Regulatory Commission and internal rules and regulations of the Loaner, in terms of loan fund payment with single withdrawal over 5% of total project investment (namely currency: _/___ amount: __/__) or more than RMB 5 million (foreign exchanges shall be computed in accordance with the actual withdrawal date exchange rate ___/____, the same below) under the Contract, the consigned payment by the Loaner shall be applied. Under controllable risks, if single amount is less than RMB 500 thousand Yuan, the Borrower's independent payment shall be adopted.

B. The Loaner and the Borrower specify the situations of the consigned payment ___/____.

(3) The Borrower's independent payment, namely according to the Borrower's application, after the Loaner issues the loan fund to the Borrower's account, and the Borrower pays the loan fund to the Borrower's counterparty independently. In addition to the consigned payment by the Loaner, payment of other loan fund shall be made through the Borrower's independent payment.

(4) Change of terms of payment. After submitting the withdrawal application, if the Borrower's payment method has been changed, as for the independently paid loan fund, where the specified conditions of Item (2) of Clause 2 are met, the payment method of the loan fund shall be changed. If the payment method is changed or the amount to be paid, paid objects, and loan application under the consigned payment have been changed, the Borrower shall provide the Loaner with written description of changes, and re-submit the withdrawal application and transaction documents on certifying the loan applications.

3. Specific requirements of the consigned payment of the loan fund

(1) Payment consignment. Where the consigned payment conditions of the Loaner are met, the Borrower's withdrawal application shall be marked with expressed payment consignment, namely authorizing and consign the Loaner to transfer the loan fund to the appointed Borrower's account and pay the same to the Borrower's counterparty account in conformity with the Contract, completed with the counterparty's name, counterparty's account number, payment amount, and other necessary information.

(2) Supply of transaction documents. Where the consigned payment conditions by the Loaner are met, at the time of each withdrawal, the Borrower shall provide the Loaner with the account to receiver the payment, the counterparty's account information and the certificates which prove that the withdrawal shall be in conformity with applications of the Contract. The Borrower shall ensure that all documents supplied to the Loaner are true, complete, and valid. Where the consigned payment obligations are not finished due to untruth, inaccuracy, and incompleteness of relevant documents provided by the Borrower, the Loaner does not bear any liabilities, and the Borrower's repayment obligations under the Contract will not be affected.

(3) Performance of the Loaner's consigned payment obligations

A. Where the Loaner's consigned payment is applied, after the Borrower submits the payment consignment and related transaction data, after the Loaner's review, the loan is paid to the Borrower's counterparty through the Borrower's account.

B. If the Loaner finds that the application documents provided by the Borrower are not in conformity with the contract rules and regulations or involve other defects, the Loaner has the right to ask the Borrower to supplement, replace, explain, or re-submit relevant documents. Before the Borrower submits relevant documents which are deemed eligible by the Loaner, the Loaner has the right to reject issuance and payment of relevant amount.

C. If the counterparty's account opening bank rejects the payment and the Loaner fails to make the consigned payment to the counterparty, the Loaner does not bear any responsibilities, and the Borrower's repayment obligations under the Contract will not be affected. As for the amount returned by the counterparty's opening bank, the Borrower hereby authorizes the Loaner to freeze. Under such situations, the Borrower shall re-submit the payment consignment and application documents and other relevant transaction documents.

(4) The Borrower is not permitted to escape the Loaner's consigned payment by breaking the whole into pieces.

Article 8 Repayment

1. Unless otherwise specified by both parties, the Borrower shall repay the loan under the Contract in accordance with 2nd below:

(1) Repaying all loans under the Contract before expiry of the loan term.

(2) Repay the loan under the Contract according to the following repayment schedule:

Time of repayment	Amount of repayment
42 months after first withdrawal	70 million Yuan
48 months after first withdrawal	70 million Yuan
54 months after first withdrawal	70 million Yuan
60months after first withdrawal	70 million Yuan
66 months after first withdrawal	70 million Yuan
72 months after first withdrawal	70 million Yuan
78 months after first withdrawal	80 million Yuan
84 months after first withdrawal	80 million Yuan
90 months after first withdrawal	80 million Yuan
96 months after first withdrawal	80 million Yuan
102 months after first withdrawal	90 million Yuan
108 months after first withdrawal	90 million Yuan
114 months after first withdrawal	90 million Yuan
120 months after first withdrawal	90 million Yuan
/	/
/	/

If not fully withdrawn, the minimum repayment amount shall be reduced proportionally in accordance with actually withdrawn amount.

(3) Other repayment schemes: _____/_____________.

If the Borrower needs to change the above repayment scheme, the Borrower shall file a written application to the Loaner 10 banking days before expiry of the corresponding loan, and change of the repayment scheme shall be jointly confirmed by both parties in writing.

2. Unless otherwise specified by both parties, if the Borrower owes the loan principal and interest, and expenses for actualizing the creditors' rights, the Loaner has the right to determine the sequence of repaying principal or interest, and actualizing creditors' rights. Under the situations of repayment by installment, if there are multiple loans due and loans overdue, the Loaner has the right to determine the liquidation sequence of a loan; where there are multiple due loan contracts between the Borrower and the Loaner, the Loaner has the right to determine the sequence of contracts performed for each loan.

3. Unless otherwise specified, the Borrower can repay in advance and shall notify the Loaner in writing __10_ banking day in advance. The amount repaid in advance is used to repay the last loan due and repay in reverse sequence. As for the loan with single and composite interests, if repaid in advance or partial repayment in advance, the interest corresponding to the repayment principal shall be settled in advance.

The lender has the right to charge the penalty of the prepayment part in accordance with RMB ____0___Yuan.

4. The Borrower repays in accordance with the 2nd method below.

(1) The Borrower shall deposit sufficient amount into the following repayment provisional account for repayment no later than ___/__ banking days before due date of each principal and interest, and the Loaner has the right to deduct the amount from the account actively on the due date of each principal and interest.

Repayment provision account name: ____/___.

Account No.: ___/_____.

Average fund deposit in the above repayment provision account: ___/_____.

(2) The Borrower shall deposit sufficient amount into the following account no later than 1 banking day before each principal and interest are due, and the Loaner has the right to deduct the amount from the account on the due date of each principal and interest.

Account name: Skechers Taicang Trading & Logistics Company.

Account No.: ________________________________

(3) Other repayment specified by both parties: _____/___.

Article 9 Guarantee

1. The debt guarantee under the Contract:

√ Skechers Taicang Trading & Logistics Company offers mortgage guarantee and signed theGuarantee Contract with number of No. 2022 SoochowTaicang476758095 fixed assets mortgage.No. 01 The Contract is of the master contract under the Guarantee Contract.

2. If the Borrower or the Guarantor involves events possibly affecting the performance capabilities deemed by the Loaner, or the Guarantee Contract becomes invalid, is revoked, or cancelled, or the Borrower or the Guarantor's financial situations are deteriorated or involve key litigation or arbitration cases, or the Borrower or Guarantor's account has been sealed up, or the performance capabilities are affected for other reasons, or the Guarantor breaches in the Guarantee Contract or other contracts with the Loaner, or the guarantee is deteriorated, damaged, lost, sealed up, and the guaranteed value is reduced or lost, the Loaner has the right to require, and the Borrower is obliged to supplement and offer new guarantees, supplements, or replace the guarantors to guarantee the debts under the Contract.

Article 10 Insurance (remarks: this is an optional cause, and the option is 2nd : 1. Applicable; 2. Inapplicable)

The Borrower shall take out insurance at the insurance company negotiated with the Loan for project under the Contract or equipment, project construction, and goods transport related to trade and the risks during the project operation. The insurance types shall be the ones negotiated and determined with the Loaner, and the insured amount shall be no less than the loan principal. The premium shall be borne by __/__.

The Borrower shall submit the policy original to the Loaner within _/__ days after effectiveness of the Contract. Before paying off principal, interest, and expenses under the Contract, the Borrower is not allowed to suspend the insurance on any grounds. If the Borrower suspends the insurance, the Loaner has the right to renewal or take insurance on behalf, and the premium shall be borne by _/_. The Borrower bears liabilities for losses that the Loaner suffers from arising from the insurance suspension.

The Borrower shall notify the Loaner in writing within 3 days after knowing or should know the occurrence of the insured accidents and claim against the insurance underwriter according to the policy; the losses arising from untimely notification or untimely claiming or not performing the obligations shall be borne by the Borrower.

Unless otherwise specified, the insurance compensation is used to repay the loan principal and interest and other payables.

Article 11 Issuance of invoice

1. The Borrower can apply for issuing the VAT invoice from the Loaner after the Loaner confirms that the payment has been received (□Special VAT invoice/ √VAT invoice), and the Loaner shall issue the VAT invoice after receiving the application of issuance of VAT invoice from the Borrower.

2. The Borrower can apply for issuance of VAT invoice at the business processing unit or other institutions appointed by the Loaner.

3. The Borrower shall confirm that the payer, the contract signer, and the buyer listed in the VAT invoice are the same tax payment body. In case of discrepancy, if the invoice cannot be accounted or deduction is unavailable, the losses shall be borne by the Borrower.

4. If the invoice is lost after the Borrower receives it, the Loaner does not need to re-issue the VAT invoice to the Borrower.

5. Through negotiation, if the Loaner offers discount to Party A, the amount in the VAT invoice shall be subject to the price after discount.

6. If the Loaner offers free services to the Borrower, the Loaner does not offer VAT invoice.

7. The Loaner shall issue VAT invoice to the Borrower, and the Borrower shall check the invoice information timely. If the invoice information is incorrect, the Borrower shall file the application of reissuance of the VAT invoice to the Loaner timely.

Article 12 Declaration and undertaking

1. The Borrower declares as follows:

(1) The Borrower has been approved and registered by the industrial and commercial authorities and exits lawfully, and has full civil right capacities and behavior capabilities required for signing and perform the Contract; where the Borrower is a justice person of a new project, the controlling shareholder has excellent credit status, without any significant non-conformance record; where the state has requirements on investment bodies and business qualifications for the proposed investment projects, the requirements shall be satisfied.

(2) Signing and performing the Contract is the Borrower's real intention based on the Contract, which has obtained lawful and valid authorization in accordance with the Articles of Association or other internal management documents, not in violation of any agreements, contract, and other legal documents which have a binding force on the Borrower; the Borrower has and will obtain all relevant approvals, licenses, filing, or registration for signing and performing the Contract.

(3) The Borrower observes the principle of faith, and all documents, financial statements, receipts and other data provided to the Loaner under the Contract are true, complete, accurate, and valid.

(4) The transaction background for business by the Borrower from the Loaner is true and lawful, without money laundering, horror financing, financing for proliferation of weapon of mass destruction, tax evasion, cheating and other unlawful purposes, and not in violation of the UN, China and other applicable sanction rules; the loan purpose and repayment sources are clarified and lawful.

(5) The Borrower has outstanding credit status, without any significant non-conformance record, and the Borrower does not hide any events possibly affecting the financial situations and performance capabilities of itself and the guarantor to the Loaner.

(6) The loan projects and the loan issues shall be in conformity with the industrial, land, and environmental protection laws, rules, and regulations and related policies, the lawful management and approval, and reporting procedures have been

performed and shall be in conformity with the investment project capital rules.

(7) The Borrower and the loan projects meet the national environmental protection standards, not the enterprises and projects with high energy consumption and highlighted pollution issues published and certified by competent national authorities, free of energy consumption and pollution risks.

(8) Other issues declared by the Borrower: ____________/______________.

2. The Borrower commits as follows:

(1) Upon the Loaner's request, submitting financial statements (including but not limited to annual report, quarterly report) and other relevant information to the Loaner regularly or timely; the Borrower shall ensure that the following financial indexes requirements shall be satisfied: __/________.

(2) Withdrawing, paying, and using the loan in accordance with the Contract.

(3) If the Borrower has or will sign counter-guarantee or similar agreements on the guarantee obligations in respect of the guarantors, the Agreement will not harm the Loaner's any rights and interests under the Contract.

(4) Receiving the Loaner's credit loan supervision and check and offer sufficient assistance and cooperation; during the period from effectiveness of the Contract and before liquidation of principal and interests and relevant expenses under the Contract, the Borrower agrees and authorizes the Loaner to supervise the account opened at the Loaner; check and analyze the project construction and operation, and dynamically monitor the project revenue cash flow and overall fund flow; the Borrower shall accept and cooperate the Loan to check and supervise the loan fund including the loan application by means of account analysis, receipt verification and on-site investigation and regularly report the loan payment and use as requested by the Loan, and the time of summarizing and report: ___/______.

(5) If the Borrower involves merging, subdivision, capital reducing, stock right transfer, foreign investment, substantially increasing debt financing, significant asset and creditor's transfer, and other adverse events which affect the Borrower's debt repayment capabilities, the Loaner's written consent shall be obtained in priority.

In case of the following situations, the Borrower shall notify the Loaner timely:

A. Changes of the Articles of Association, scope of business, registered capital, and legal representative of the Borrower or the Guarantor's company;

B. Any forms of joint operation, and changes of joint venture, cooperation, contracting, reconstruction, and planning for listing, and other business modes;

C. Involved key litigation or arbitration cases, or the property or the guarantee sealed up, detained, or supervised, or new guarantees attached to the guaranty;

D. Business suspension, disbanding, liquidation, stopping business for internal rectification, revoking of business license, and filed for bankruptcy etc.;

E. Shareholders, directors, and existing senior management involves serious cases or economic disputes;

F. The Borrower involves breaching events under other contracts;

G. Difficult business and deteriorated financial situations.

(6) The Borrower's debt liquidation sequence against the Loaner's debt shall be superior to the borrowing from the Borrower's shareholders, and shall not be inferior to the same kind of debt owed to the Borrower's shareholders.

(7) × If after-tax net profit is zero or negative in relevant accounting year, or the after-tax profit is insufficient to make up losses of previous years, or the pre-tax profit is not used for liquidating the Borrower's outstanding principal, interests, and expenses, or the pre-tax profit is insufficient to liquidate principal, interest, and expenses within the accounting year, the Borrower is not permitted to distribute dividends to shareholders.

× During the period from effectiveness of the Contract to liquidation of the loan principal, interest and relevant expenses under the Contract, the Borrower is not permitted to distribute dividend to shareholders.

× During the period from effectiveness of the Contract to liquidation of the loan principal, interest and relevant expenses under the Contract, the dividend that the Borrower distributes to shareholders shall be no more than _/___% of the Borrower's after-tax profit.

× When after-tax net profit is zero or negative in relevant accounting years, or the after-tax profit is insufficient to make up losses of previous years, or the pre-tax profit is not used for liquidating the principal, interest, and expenses to be liquidated, or the pre-tax profit is insufficient to liquidate the principal, interest, and expenses of the next period, the Borrower is not permitted to distribute any dividend to shareholders. Nevertheless, when the dividend can be distributed to shareholders as required, the dividend that the Borrower issues to the shareholders shall be no more than __/__% of the Borrower's after-tax profits.

(8) The Borrower is not permitted to dispose of its own assets by means of lowering the debt repayment capabilities, and commits that the total amount of the foreign guarantee shall not be higher than __/__ times of net assets of its own, and total amount of its own and the amount of single guarantee shall be no more than the limit amount specified in the Articles of Association; without the Loaner's consent, the assets from the loan under the Contract cannot be used as guarantee for a third party.

(9) In addition to meeting the application specified in the Contract or consent by the Loaner, the Borrower is not permitted to transfer the loan fund under the Contract to the account of the same name and the related parties' accounts.

As for transfer to the Borrower's account of the same name or the related parties' account, the Borrower shall provide the corresponding certificates.

(10) Cooperate with the Loaner to carry out due diligence, and cooperate to provide and update the institution and the beneficiary's information, and provide related transaction's background information;

(11) × In terms of the loan under the Contract, the guarantee conditions, loan interest rate and pricing, repayment sequence and other loan conditions shall not be inferior to conditions offered to any other financial institutions. (Remarks: this is an optional clause)

(12) × Timely proceed the foreign exchange loan registration, principal repayment and interest payment, and other procedures at the administration of exchange control. (Remarks: this is an optional clause)

(13) × The Borrower shall submit the environment and social risk report to the Loaner. The Borrower declares and warrants to reinforce environment and social risk management, and commits to receive the Loaner's supervision. The Borrower's breaching the previous rules and regulations constitute or shall be deemed as breaching events under the Agreement, and the Loaner shall adopt remedial measures according to the Agreement.

(14) Other issues committed by the Borrower: _______/________ .

Article 13 Disclosure of internal related transactions within the group of the Borrower

Both parties specify that __2nd__of the Clause shall be applied:

1. The Borrower is not of the Group Client determined in the *Risk Management Guide to Credit Extension of Group Client for Commercial Banks* (hereinafter referred to as "Guide") by the Loaner.

2. The Borrower is of the Group Client determined in the *Risk Management Guide to Credit Extension of Group Client for Commercial Banks* (hereinafter referred to as "Guide") by the Loaner. The Borrower shall timely report related transactions accounting for more than 10% of net assets to the Loaner, including the related parties' relations, transaction items and transaction nature, transaction amount, or corresponding proportions and pricing policy (including the transactions without amount or symbolic amount).

When the Borrower involves one of the following situations, the Loaner has the right to stop paying the Borrower's unused loan unilaterally and recover partial or all loan principal and interest: discount or pledge at the bank to make divestiture of bank's fund or credit extension with fake contracts with related parties, bills receives and receivables without actual trading background; in case of significant merging and acquiring, where the Loaner thinks that the loan security may be affected; through related associated, escape the bank's creditors' rights; other situations specified in Article 18 of the *Guide*.

Article 14 Breaching events and handling

1. One of the following events constitutes or shall be deemed as the Borrower's breaching events under the Contract:

(1) The Borrower fails to pay and liquidate the debt against the Loaner in accordance with the Contract;

(2) The Borrower fails to use the loan fund or the forthcoming fund for the purpose in the Contract in accordance with the Contract; or the Borrower breaches the laws of the Contract to escape the Loaner's consigned payment through breaking up the whole into parts; or the Borrower uses the loan fund to converter into loan or buy other financial products for profits; or the Borrower breaches the rules to add local government's hidden debts;

(3) The declaration made by the Borrower in the Contract is untrue, or the Borrower breaches the commitments in the Contract.

(4) In case of item (5) of Clause 2 of Article 12 of the Contract, if the Loaner thinks that it may affect the Borrower or the Guarantor's financial situations and performance capabilities, and the Borrower is unable to offer new guarantee and replace guarantors as requested in the Contract.

(5) × Other contracts between the Borrower and the Loaner, or other institutions of Bank of China Co., Ltd. involve breaching events;

× Other contracts between the Borrower and the Loaner, or other institutions of Bank of China Co., Ltd. involve breaching events; the credit contracts between the Borrower and other financial institutions involve breaching events;

(6) The Guarantor breaches the guarantee contract, or other contracts between the Loaner or other institutions of Bank of China Co., Ltd. involve breaching events;

(7) The Borrower terminates business or involves disbanding, cancellation, or bankruptcy;

(8) The Borrower involves or may involve key economic disputes, litigation, arbitration, or the assets are sealed up, detained, or executed compulsorily, or investigated by the juristic authorities or taxations, and industrial and commercial authorities, or the punishment measures are adopted, the obligation performance under the Contract has or is likely to be affected;

(9) The Borrower's main investor individuals and key managers

(10) The project capital is not in place in accordance with the scheme or the proportion, or is not made up within the time specified by the Loaner;

(11) The project progress is behind the fund progress;

(12) × project construction progress is seriously behind the schedule, or the project construction expenses are beyond the Loaner's acceptable budget ratio, or the project construction and operation environment, and conditions involve serious adverse changes; (remarks: this is an optional clause)

(13) × project construction quality is not in conformity with the national or industrial standards; (remarks: this is an optional clause)

(14) The Borrower's credit status has been deteriorated, or the Borrower's profitability, debt paying ability, operating ability and cash flow and other financial indicators deteriorate, and the borrower breaks the index constraints agreed herein or other financial agreements;

(15) The Loaner reviews the Borrower's financial situations and performance capabilities each year (one year after effectiveness of the Contract) to discover any situations possibly affecting the Borrower or the Guarantor's financial situations and performance capabilities;

(16) The Borrower rejects cooperating with the Loaner for due diligence, the Borrower or its transaction/counterparty involves laundering, horror financing, nuclear weapon proliferation, breaching the applicable sanction rules, other breaching behaviors, or the Borrower and the Guarantor have been sanctioned by the U.N, China, and other applicable sanction list or sanction scope;

(17) The Borrower breaches other stipulations on rights and obligations of the parties involved in the Contract.

2. In case of the previous breaching events, the Loaner has the right to adopt the following measures separately or in combination:

(1) Requiring the Borrower and the Guarantor to correct the breaching behaviors within specific time.

(2) Fully or partially reducing, suspending, or canceling and terminating the credit limit to the Borrower.

(3) Fully or partially suspending or terminating the Borrower's withdrawal and other business applications under the Contract and other contracts between the Borrower and the Loaner; as for non-issued loan, the in-process trade financing, fully or partially suspending or cancelling, and terminating issuance, payment, and processing.

(4) Declaring that the unpaid loan/trade financing amount principal and interest and other payables under the Contract and other contracts between the Borrower and the Loaner are fully or partially due immediately.

(5) According to the Borrower's credit status, changing the loan issuance and payment conditions, such as lowering the consigned payment starting amount, or transferring back the loan amount paid in violation of rules etc.

(6) Terminating or cancelling the Contract, and fully or partially terminating or cancelling other contracts between the Borrower and the Loaner.

(7) Requiring the Borrower to compensate losses caused to the Loaner arising from such breaching, including but not limited to litigation costs, attorney charges, notarization fees, and execution fees etc. for actualizing the creditors' rights.

(8) Deduct the Borrower's amount in the accounts opened at the Loaner and other institutions of Bank of China Co., Ltd. to liquidate the Borrower's full or partial debt against the Loaner under the Contract. The amount undue in the account shall be treated as due ahead of schedule. Where the currency in the account and the Loaner's pricing is different, the Loaner's applicable foreign exchange rate at the time of deduction shall be used to compute.

(9) Exercising the security interests: requiring the guarantors to exercise the guaranty measures.

(10) Other measures deemed necessary and possible by the Loaner.

Article 15 Reservation of rights

One Party's failure to exercise partial or all rights under the Contract, or require the other party to perform and undertake partial or all obligations and responsibilities does not constitute waiving of the rights, and exemption of such obligations and responsibilities.

Any party's toleration, extension, or delaying in performing rights under the Contract against the other party does not affect the party's rights in accordance with the Contract and laws and regulations and shall not be deemed as waiving of such rights.

Article 16 Change, modification, and termination

Through negotiation, the Contract can be changed or modified in writing, and any changes or modification constitute an inseparable part of the Contract.

Unless otherwise specified in laws and regulations or unless otherwise specified by parties involved, the Contract cannot be terminated before all rights and obligations have been performed.

Unless otherwise in laws and regulations or by the parties involved, ineffectiveness of any terms and conditions of the Contract does not affect legal effectiveness of other terms and conditions.

Article 17 Law applicability, dispute settlement

The Contract shall be governed by laws of the People's Republic of China.

After effectiveness of the Contract, all disputes arising from performance and conclusion of the Contract or in connection herewith, both parties shall settle through negotiation. If the negotiation fails, any party can adopt the 2nd method to settle:

1. Arbitration. Submitted to:

□ China International Economic and Trade Arbitration Commission

□ Beijing Arbitration Commission (Beijing International Arbitration Center)

□ ______________________ Arbitration Commission

When the arbitration application is filed, the Commission carries out arbitration at ___/___ (place of arbitration) in accordance with the arbitration rules effective at the time being. The arbitration award is final and has a binding force on both parties.

2. Litigation. The parties involved can settle at Chinese court through litigation.

√ File litigation at the people's court where the Loaner, or other institutions of Bank of China Co., Ltd. exercising rights and obligations under the Contract and single agreements.

□ File litigation at the International Court of Business of the Supreme People's Court (international business dispute with bid amount of RMB 300 million).

□ File litigation at the competent people's court according to laws.

During the dispute settlement period, if the dispute does not affect performance of other terms and conditions of the Contract, other terms and conditions shall continue to perform.

Article 18 Annex

The following annexes and other annexes jointly confirmed by both parties constitute an inseparable part of the Contract, and are legally authentic with the Contract.

1. Withdrawal Application (Format);
2. Notice on Annualized Interest Rate of Loan (Format):

3、……

Article 19 Miscellaneous

1. Without the Loaner's written consent, the Borrower is not permitted to transfer any rights and obligations under the Contract to a third person.

2. For the purpose of business, the Loaner can consign other institutions of Bank of China Co., Ltd. to perform rights and obligations under the Contract, or transfer the loan business under the Contract to other institutions of Bank of China Co., Ltd., and the Borrower accepts the same. Other institutions of Bank of China Co., Ltd. authorized by the Loaner, or other institutions of Bank of China Co., Ltd. undertaking the loan business under the Contract have the right to exercise all rights under the Contract, file litigation to the court for the disputes under the Contract in name of such institutions, and submit to the arbitration body or apply for compulsory execution.

3. Under the situations of not affecting other stipulations in the Contract, the Contract has legal binding forces on both parties and the lawfully appointed inheritors and transferees.

4. Unless otherwise specified, the domiciles carried in the Contract shall be mailing and contact address and valid delivery address. The scope of application of the delivery address shall cover delivery of notices, contracts and other documents during both parties' performance and delivery of related documents and legal documents in case of disputes, including the 1st trial, 2nd trial, re-trial, and execution procedures after the disputes enter arbitration and civil litigation procedures.

In case of change of the above address, the party changing the address shall notify the other party of the address after change in writing _/__ working days in advance. In the arbitration and civil litigation procedures, when any party changes the address, it shall notify the address change information to the arbitration body and courts. Where one party fails to perform the notification obligations according to the above method, the delivery address confirmed in the Contract shall be treated as valid delivery address.

If the delivery address provided or confirmed by one party is not accurate, the delivery address after change is notified to the other party and the court timely according to laws, and the appointed receiver rejects collection etc., the legal documents cannot be received by the other party, if delivered via posting, the date of return shall be deemed as date of delivery; if delivered directly, the deliverer's marked date on the proof of delivery shall be deemed as the date of delivery.

5. The transactions under the Contract shall be carried out based on respective rights and interests. As requested by relevant laws, regulations and supervision requirements, other parties of the transaction constitute related parties or related personnel of the Loaner, and the parties do not seek to utilize such related relations to affect fairness of the transaction.

6. Titles and business in the Contract are used for convenience only, and cannot be used fore explaining the terms and conditions and both parties' rights and obligations.

7. The Loaner has the right to offer information related to the Contract and the Borrower's other relevant information to the financial credit information fundamental database and other lawfully established credit information database in accordance with relevant laws and regulations and supervision codes for being inquired and used by eligible institutions or individuals according to laws. For the purpose of concluding and performing the Contract, the Loaner has the right to inquire the Borrower's relevant information through the financial credit information fundamental database and other lawfully established credit information database.

8. If statutory holidays are met on the date of withdrawal and the date of repayment, the date shall be postponed to the next working day after the holiday.

9. According to changes of laws and regulations, and supervision provisions or requirements by the supervision authorities, if the Loaner fails to perform the Agreement or is unable to perform the Agreement, the Loaner has the right to terminate or change the performed Agreement and the single agreements hereof in accordance with changes of laws and regulations, and supervision provisions, or requirements by the supervision authorities. If the Loaner is unable to perform or perform according to the Agreement on grounds of termination or change of the Agreement for such reasons, the Loaner is exempted from liabilities.

10. The Borrower can consult and complain the Contract and business and charges hereof through the Loaner's telephone number listed in the Contract.

Article 20 Effectiveness of the Contract

The Contract comes into force after being signed and affixed with seal by the Loaner and the Borrower's legal representative (principal) or authorized signatory.

The Contract shall be in duplicated, one of which shall be retained by the Loaner and Borrower, which are legally authentic.

Skechers Taicang Trading & Logistics Company

Borrower: (Corporate Seal) Loaner: Branch of Bank of China Co., Ltd.

(Corporate Seal)

Competent signatory: [ILLEGIBLE STAMP] Competent signatory: /s/ [ILLEGIBLE]

18 D 10 M 2022 Y 18 D 10 M 2022 Y

Confirmation of Document Delivery Address

No. 2022 SoochowTaicang476758095 fixed assets borrow-writ. No. 01

Dear customers: to protect your rights and interests, before signing the Confirmation, please read terms and conditions, and notice clause of the rights, obligations and civil liabilities. In case of any doubt or something not clear, please consult the processing bank, or consult your attorney and professionals.

To: Taicang Branch of Bank of China Co., Ltd:

For I/the Company have or will sign a series of credit contracts with your bank (including but not limited to loan contract, guarantee contract, instrument contract, trading and financing contract, and credit card contract). In terms of the involved legal documents, creditors' right documents, collection notice, advanced loan notice, and guarantor's liability performance etc., I/the Company hereby irrevocably confirm as follows:

I. I/The Company choose the following delivery address and delivery mode as the official delivery address and delivery mode for receiving documents:

1. Mail delivery mode:

Delivery address: Foqiao Town, Taicang City, Jiangsu Province; P.C.: 215400;

Addressee (collected by): Kris Chen; Telephone No.: 020-89160222-118;

2. SMS delivery mode: □Agree √Disagree

Mobile 1: __________________; Mobile 2: ___________________;

3. Email delivery mode: □Agree √Disagree

Email:

4. Fax delivery: mode: □Agree √Disagree

Fax No. ___________________

II. The above specified delivery address, mobile number, email, or fax number confirmed in the confirmation are applicable to debt collection, creditor's right transfer, litigation in case of breaching (including 1st trial, 2nd trial, re-trial, and execution), and arbitration etc.

III. The bank, appellate court, or the arbitration body mails the documents to the person/Company as per the above confirmed address and telephone number, the date of signing shall be treated as the date of delivery; if the person in charge of collection is appointed by the person/Company, the signing by the person in charge of collection shall be deemed as collection by the person/Company. If the delivery address provided or confirmed by the person/company is not accurate, the delivery address is not accurate, or the address after change is not notified to the bank, the person in charge of collection appointed by the person/Company rejects receiving, and relevant documents cannot be received by the delivered person, the date of return shall be deemed as delivery.

If the delivery address provided or confirmed by the person/company is not accurate, the delivery address is not provided, or the bank is not notified timely after change of the delivery address, or the person/the Company or the person in charge of collection rejects the delivery, and the relevant documents are not actually received, the deliverer can record the delivery person by taking photos and videos and retain the documents, and the date of retaining such documents shall be deemed as the date of delivery.

IV. With consent by the person/company, where your bank, the appellate court, or the arbitration organizations send relevant documents via SMS, email, or fax, the date that the SMS, email, or fax reaching the specific system is the date of delivery; if the mobile number, email address, or fax number provided or confirmed by the person/company is not accurate, and the changes not notified to your bank, where relevant documents are not received by the delivered persons, the date of return or rejection of electronic data shall be deemed as the date of delivery.

V. In case of change of the above delivery address, addressee, mobile phone, email, or fax number, the bank shall be notified timely. All negative consequences arising from untimely notification of the person/the Company shall be borne by the person/Company.

Client's declaration: the business process bank has reminded relevant terms and conditions to us/our company and explained concepts, contents, and legal effects of the terms and conditions upon request. We/the Company has known and fully understood the above terms and conditions and guarantees that the delivery address is accurate and valid.

Confirmed by the Company/Individual (seal,
Signature, or fingerprint): Skechers Taicang Trading & Logistics Company
(Corporate Seal)

Legal representative/competent signatory [ILLEGIBLE STAMP]
(signature or fingerprint):
Date: 2022-10-18

Annex Notice of Annualized Interest Rate of Loan

No. 2022 SoochowTaicang476758095 fixed assets borrow-inform. No. 01

To: Skechers Taicang Trading & Logistics Company. (Borrower)

1. The Bank has signed the Loan Contract for Fixed Assets with number of 2022 SoochowTaicang476758095 fixed assets borrow. No. 01with your company. Under the abovementioned contract, as the Loaner, the Company provides the annualized interest rate of the loan ___ 3.4%___-. The annualized interest rate (√ single interest/□ single and composite interest combination (mark any of them) including:

(1) The loan interest computed in accordance with the loan interest rate specified in Clause 1 of Article 4 of the Contract;

2. As an annex to the Contract, the notice constitutes an inseparable part and is legally authentic with the above Contracts. The issues not stipulated shall be governed by the Contract.

Branch of Bank of China Co., Ltd.
Loaner: _______(Corporate Seal)_______

Competent signatory: ___/s/ [ILLEGIBLE]_______

D __18__M__10__Y___2022__

Exhibit 31.1

CERTIFICATION

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2022 of Skechers U.S.A., 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(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 the 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: November 4, 2022

/s/ Robert Greenberg
Robert Greenberg
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John Vandemore, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2022 of Skechers U.S.A., 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(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 the 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: November 4, 2022

/s/ John Vandemore
John Vandemore
Chief Financial Officer

Exhibit 32.1

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 Skechers U.S.A., Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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.

/s/ Robert Greenberg

Robert Greenberg
Chief Executive Officer
(Principal Executive Officer)
November 4, 2022

/s/ John Vandemore

John Vandemore
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 4, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.