

Item 7. Financial Statements and Financial
Highlights for Open-End Management Investment
Companies

ANNUAL FINANCIAL STATEMENTS
AND OTHER INFORMATION

September 30, 2024

NICHOLAS II, INC.

CONSISTENCY *in a world of change*



Financial Highlights Class I (NCTWX)

For a share outstanding throughout each period

	Years Ended September 30,				
	2024	2023	2022	2021	2020
NET ASSET VALUE, BEGINNING OF PERIOD ..	\$ 29.22	\$ 26.69	\$ 35.98	\$ 28.68	\$ 29.61
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income ⁽¹⁾09	.11	.05	.05	.07
Net gain (loss) on securities (realized and unrealized)	6.19	3.50	(5.90)	8.45	2.21
Total from investment operations	<u>6.28</u>	<u>3.61</u>	<u>(5.85)</u>	<u>8.50</u>	<u>2.28</u>
LESS DISTRIBUTIONS					
From net investment income	(.12)	(.06)	(.05)	(.05)	(.11)
From net capital gain	(.12)	(1.02)	(3.39)	(1.15)	(3.10)
Total distributions	<u>(.24)</u>	<u>(1.08)</u>	<u>(3.44)</u>	<u>(1.20)</u>	<u>(3.21)</u>
NET ASSET VALUE, END OF PERIOD	<u>\$ 35.26</u>	<u>\$ 29.22</u>	<u>\$ 26.69</u>	<u>\$ 35.98</u>	<u>\$ 28.68</u>
TOTAL RETURN	21.54%	13.83%	(18.51)%	30.26%	7.85%
SUPPLEMENTAL DATA					
Net assets, end of period (millions)	\$1,041.6	\$ 882.4	\$ 798.8	\$1,031.3	\$ 847.7
Ratio of expenses to average net assets .....	.59%	.60%	.59%	.59%	.60%
Ratio of net investment income to average net assets .....	.27%	.39%	.15%	.15%	.25%
Portfolio turnover rate	9.52%	6.26%	15.76%	19.57%	22.89%

⁽¹⁾ Computed based on average shares outstanding.

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

Financial Highlights Class N (NNTWX)

For a share outstanding throughout each period

	Years Ended September 30,				
	2024	2023	2022	2021	2020
NET ASSET VALUE, BEGINNING OF PERIOD ..	\$ 28.16	\$ 25.82	\$ 34.97	\$ 27.94	\$ 28.91
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss) ⁽¹⁾	(.01)	.03	(.05)	(.05)	(.01)
Net gain (loss) on securities (realized and unrealized)	5.96	3.38	(5.71)	8.23	2.16
Total from investment operations	5.95	3.41	(5.76)	8.18	2.15
LESS DISTRIBUTIONS					
From net investment income	(.10)	(.05)	—	—	(.02)
From net capital gain	(.12)	(1.02)	(3.39)	(1.15)	(3.10)
Total distributions	(.22)	(1.07)	(3.39)	(1.15)	(3.12)
NET ASSET VALUE, END OF PERIOD	<u>\$ 33.89</u>	<u>\$ 28.16</u>	<u>\$ 25.82</u>	<u>\$ 34.97</u>	<u>\$ 27.94</u>
TOTAL RETURN	21.18%	13.49%	(18.75)%	29.85%	7.54%
SUPPLEMENTAL DATA					
Net assets, end of period (millions)	\$ 80.6	\$ 72.5	\$ 70.1	\$ 95.6	\$ 85.0
Ratio of expenses to average net assets .....	.90%	.91%	.89%	.89%	.90%
Ratio of net investment income (loss) to average net assets	(.05)%	.08%	(.16)%	(.15)%	(.05)%
Portfolio turnover rate	9.52%	6.26%	15.76%	19.57%	22.89%

⁽¹⁾ Computed based on average shares outstanding.

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

Schedule of Investments

September 30, 2024

Shares or Principal Amount		Value
COMMON STOCKS — 96.65%		
	Communication Services - Media & Entertainment — 1.40%	
142,905	Trade Desk, Inc. Class A*	\$ 15,669,533
	Consumer Discretionary - Consumer Discretionary Distribution & Retail — 5.88%	
46,070	Burlington Stores, Inc.*	12,138,524
108,565	CarMax, Inc.*	8,400,760
27,070	O'Reilly Automotive, Inc.*	31,173,812
36,740	Ulta Beauty Inc.*	14,296,269
		<u>66,009,365</u>
	Consumer Discretionary - Consumer Services — 4.40%	
286,255	Chipotle Mexican Grill, Inc.*	16,494,013
32,870	Domino's Pizza, Inc.	14,138,702
237,485	Service Corporation International	18,744,691
		<u>49,377,406</u>
	Consumer Staples - Consumer Staples Distribution & Retail — 2.01%	
273,400	BJ's Wholesale Club Holdings, Inc.*	<u>22,550,032</u>
	Consumer Staples - Food, Beverage & Tobacco — 2.63%	
69,500	Constellation Brands, Inc. Class A	17,909,455
179,421	Lamb Weston Holdings, Inc.	11,615,716
		<u>29,525,171</u>
	Financials - Banks — 1.02%	
246,480	Webster Financial Corporation	<u>11,488,433</u>
	Financials - Financial Services — 5.73%	
70,110	Corpay, Inc.*	21,927,604
87,281	Jack Henry & Associates, Inc.	15,408,588
125,570	Northern Trust Corporation	11,305,067
128,340	Raymond James Financial, Inc.	15,716,516
		<u>64,357,775</u>
	Health Care - Health Care Equipment & Services — 8.99%	
168,900	Cooper Companies, Inc.*	18,636,426
227,260	Globus Medical Inc Class A*	16,258,180
150,250	Hologic, Inc.*	12,239,365

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

September 30, 2024

Shares or Principal Amount		Value
COMMON STOCKS — 96.65% (continued)		
Health Care - Health Care Equipment & Services — 8.99% (continued)		
77,440	ResMed Inc.	\$ 18,904,653
83,254	STERIS plc	20,192,425
69,445	Veeva Systems Inc Class A*	14,574,422
		<u>100,805,471</u>
Health Care - Pharmaceuticals, Biotechnology & Life Sciences — 9.05%		
255,609	Bio-Techne Corporation	20,430,827
68,606	Charles River Laboratories International, Inc.*	13,513,324
83,070	IQVIA Holdings Inc*	19,685,098
14,964	Mettler-Toledo International Inc.*	22,441,511
118,455	Revvity, Inc.	15,132,626
515,270	Stevanato Group SpA	10,305,400
		<u>101,508,786</u>
Industrials - Capital Goods — 14.79%		
197,850	A. O. Smith Corporation	17,772,865
134,415	AMETEK, Inc.	23,080,400
211,025	Fastenal Company	15,071,405
238,700	Fortive Corp.	18,840,591
80,640	IDEX Corporation	17,297,280
61,005	L3Harris Technologies Inc	14,511,259
29,845	Lennox International Inc.	18,035,035
77,500	Nordson Corporation	20,353,825
115,797	Westinghouse Air Brake Technologies Corporation	21,048,421
		<u>166,011,081</u>
Industrials - Commercial & Professional Services — 11.69%		
89,700	Broadridge Financial Solutions, Inc.	19,288,191
98,875	Paylocity Holding Corp.*	16,311,409
146,233	RB Global, Inc.	11,770,294
81,615	Republic Services, Inc.	16,391,557
269,765	TransUnion	28,244,395
82,583	Verisk Analytics Inc	22,128,941
95,092	Waste Connections, Inc.	17,004,351
		<u>131,139,138</u>
Industrials - Transportation — 1.57%		
88,920	Old Dominion Freight Line, Inc.	17,663,069

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

September 30, 2024

Shares or Principal Amount		Value
COMMON STOCKS — 96.65% (continued)		
Information Technology - Semiconductors & Semiconductor Equipment — 3.71%		
175,982	Lattice Semiconductor Corporation*	\$ 9,339,365
227,745	Microchip Technology Incorporated	18,285,646
141,740	Skyworks Solutions, Inc.	13,999,660
		<u>41,624,671</u>
Information Technology - Software & Services — 14.10%		
43,355	CrowdStrike Holdings, Inc. Class A*	12,159,777
89,607	CyberArk Software Ltd.*	26,130,297
438,343	Dynatrace, Inc.*	23,438,200
216,436	Elastic NV*	16,613,627
48,940	Gartner, Inc.*	24,800,834
196,417	Okta, Inc. Class A*	14,601,640
55,482	Palo Alto Networks, Inc.*	18,963,748
118,985	PTC Inc.*	21,495,830
		<u>158,203,953</u>
Information Technology - Technology Hardware & Equipment — 3.66%		
98,195	CDW Corporation	22,221,528
42,965	Teledyne Technologies Incorporated*	18,804,062
		<u>41,025,590</u>
Materials - Materials — 3.27%		
78,580	AptarGroup, Inc.	12,587,730
96,460	Vulcan Materials Company	24,156,478
		<u>36,744,208</u>
Real Estate - Real Estate Management & Development — 2.75%		
158,175	CBRE Group, Inc. Class A*	19,689,624
148,695	CoStar Group, Inc.*	11,217,551
		<u>30,907,175</u>
	TOTAL COMMON STOCKS	
	(cost \$512,952,809)	<u>1,084,610,857</u>

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

September 30, 2024

Shares or Principal Amount		Value
SHORT-TERM INVESTMENTS — 3.38%		
Money Market Deposit Account — 0.70%		
\$7,878,139	U.S. Bank Money Market - 4.70%	\$ 7,878,139
Money Market Fund — 1.34%		
15,000,000	Morgan Stanley Institutional Liquidity Funds Government Portfolio (Institutional Class), 7-day net yield, 4.85%	15,000,000
U.S. Government Security — 1.34%		
15,000,000	U.S. Treasury Bill 10/01/2024, ⁽¹⁾	15,000,000
TOTAL SHORT-TERM INVESTMENTS (cost \$37,878,139)		37,878,139
TOTAL INVESTMENTS (cost \$550,830,948) — 100.03%		1,122,488,996
LIABILITIES, NET OF OTHER ASSETS — (0.03)%		(288,345)
TOTAL NET ASSETS (basis of percentages disclosed above) — 100%		\$1,122,200,651

* Non-income producing security.

⁽¹⁾The Treasury Bill has reached full maturity.

The accompanying notes to financial statements are an integral part of this schedule.

Statement of Assets and Liabilities

September 30, 2024

ASSETS

Investments in securities at value (cost \$550,830,948)	\$1,122,488,996
Receivables	
Dividend and interest	321,809
Capital stock subscription	52,114
Total receivables	<u>373,923</u>
Other	<u>47,044</u>
Total assets	<u>1,122,909,963</u>

LIABILITIES

Payables	
Due to adviser	
Management fee	466,093
Accounting and administration fee	14,908
Total due to adviser	<u>481,001</u>
Capital stock redemption	92,757
12b-1 and servicing fee	29,809
Other payable and accrued expense	<u>105,745</u>
Total liabilities	<u>709,312</u>
Total net assets	<u>\$1,122,200,651</u>

NET ASSETS CONSIST OF

Paid in capital	\$ 514,725,313
Accumulated distributable earnings	<u>607,475,338</u>
Total net assets	<u>\$1,122,200,651</u>

CLASS I

Net assets	\$1,041,601,747
Shares outstanding	29,537,785
NET ASSET VALUE PER SHARE (\$.01 par value, 125,000,000 shares authorized), offering price and redemption price	<u>\$35.26</u>

CLASS N

Net assets	\$ 80,598,904
Shares outstanding	2,378,576
NET ASSET VALUE PER SHARE (\$.01 par value, 75,000,000 shares authorized), offering price and redemption price	<u>\$33.89</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Operations

For the year ended September 30, 2024

INCOME

Dividend (net of foreign taxes of \$47,031)	\$ 7,034,797
Interest	2,118,647
Total income	<u>9,153,444</u>

EXPENSES

Management fee	5,507,273
Transfer agent fees	198,165
12b-1 fees - Class N	187,578
Administration services	175,965
Accounting and pricing services	101,777
Servicing fees - Class N	63,540
Registration fees	56,876
Custodian fees	53,263
Audit and tax fees	41,321
Insurance	38,826
Directors' fees	25,695
Printing	17,833
Postage and mailing	16,956
Legal fees	12,812
Other operating expenses	19,124
Total expenses	<u>6,517,004</u>
Net investment income	<u>2,636,440</u>

NET REALIZED GAIN ON INVESTMENTS	<u>38,382,905</u>
--	-------------------

CHANGE IN NET UNREALIZED APPRECIATION/DEPRECIATION

ON INVESTMENTS	<u>162,082,517</u>
Net realized and unrealized gain (loss) on investments	<u>200,465,422</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 203,101,862</u>

The accompanying notes to financial statements are an integral part of this statement.

Statements of Changes in Net Assets

For the years ended September 30, 2024 and 2023

	Year Ended 9/30/2024	Year Ended 9/30/2023
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment income	\$ 2,636,440	\$ 3,526,562
Net realized gain on investments	38,382,905	7,185,745
Change in net unrealized appreciation/depreciation on investments	<u>162,082,517</u>	<u>107,541,048</u>
Net increase (decrease) in net assets resulting from operations	<u>203,101,862</u>	<u>118,253,355</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM		
Investment operations - Class I	(7,079,407)	(32,017,621)
Investment operations - Class N	<u>(555,387)</u>	<u>(2,841,109)</u>
Total distributions	<u>(7,634,794)</u>	<u>(34,858,730)</u>
CAPITAL SHARE TRANSACTIONS		
Proceeds from shares issued - Class I (808,852 and 707,152 shares, respectively)	26,619,902	21,351,042
Reinvestment of distributions - Class I (194,620 and 1,072,426 shares, respectively)	6,399,104	29,148,550
Cost of shares redeemed - Class I (1,668,887 and 1,502,619 shares, respectively)	(54,993,731)	(43,700,915)
Proceeds from shares issued - Class N (110,866 and 50,775 shares, respectively)	3,583,219	1,433,137
Reinvestment of distributions - Class N (17,368 and 107,402 shares, respectively)	550,042	2,819,297
Cost of shares redeemed - Class N (326,112 and 297,378 shares, respectively)	<u>(10,405,825)</u>	<u>(8,345,249)</u>
Change in net assets derived from capital share transactions	<u>(28,247,289)</u>	<u>2,705,862</u>
Total increase (decrease) in net assets	<u>167,219,779</u>	<u>86,100,487</u>
NET ASSETS		
Beginning of period	954,980,872	868,880,385
End of period	<u>\$1,122,200,651</u>	<u>\$ 954,980,872</u>

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

Notes to Financial Statements

September 30, 2024

(1) Summary of Significant Accounting Policies —

Nicholas II, Inc. (the “Fund”) is organized as a Maryland corporation and is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The primary objective of the Fund is long-term growth. The following is a summary of the significant accounting policies of the Fund:

- (a) Equity securities traded on a stock exchange will ordinarily be valued on the basis of the last sale price on the date of valuation on the securities principal exchange, or if in the absence of any sale on that day, the closing bid price. For securities principally traded on the NASDAQ market, the Fund uses the NASDAQ Official Closing Price. Investments in shares of open-end mutual funds, including money market funds, are valued at their daily closing net asset value. Debt securities, excluding short-term investments, are valued at their current evaluated bid price as determined by an independent pricing service, which generates evaluations on the basis of dealer quotes for normal institutional-sized trading units, issuer analysis, bond market activity and various other factors. Short-term investments are valued using evaluated bid prices. Securities for which market quotations may not be readily available are valued at their fair value as determined in good faith by procedures adopted by the Board of Directors. The Board of Directors has delegated fair value responsibilities to Nicholas Company, Inc., the Fund’s adviser. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the period. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurement” (“ASC 820-10”), fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value such as a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 - quoted prices in active markets for identical investments

Notes to Financial Statements (continued)

September 30, 2024

Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, benchmark yields, bids, offers, transactions, spreads and other relationships observed in the markets among market securities, underlying equity of the issuer, proprietary pricing models, credit risk, etc.)

Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of September 30, 2024 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities
Level 1 —	
Common Stocks ⁽¹⁾	\$ 1,084,610,857
Money Market Deposit Account	7,878,139
Money Market Fund	15,000,000
Level 2 —	
U.S. Government Security	15,000,000
Level 3 —	
None	—
Total	<u>\$ 1,122,488,996</u>

(1) See Schedule of Investments for further detail by industry.

The Fund did not hold any Level 3 investments during the period.

- (b) Net realized gain (loss) on portfolio securities was computed on the basis of specific identification.
- (c) Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Non-cash dividends, if any, are recorded at value on date of distribution. Generally, discounts and premiums on long-term debt security purchases, if any, are amortized over the expected lives of the respective securities using the effective yield method.

Investment income, net capital gains (losses) and all expenses incurred by the Fund are allocated based on the relative net assets of each class, except for 12b-1 fees and shareholder servicing fees and certain other fees and expenses related to one class of shares.

Class N shares are subject to a 0.25% 12b-1 fee and a 0.10% servicing fee, as described in its prospectus. During the period, the 12b-1 fee was 0.24% through May 14, 2024. From May 15, 2024 through period end, the 12b-1 fee was 0.23%.

Notes to Financial Statements (continued)

September 30, 2024

During the period, the service fee was 0.08%. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares.

- (d) Provision has not been made for federal income taxes or excise taxes since the Fund has elected to be taxed as a “regulated investment company” and intends to distribute substantially all net investment income and net realized capital gains on sales of investments to its shareholders and otherwise comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies.
- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid at least annually. Distributions of net realized capital gain, if any, are declared and paid at least annually.

The amount of distributions from net investment income and net realized capital gain are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles (“U.S. GAAP”) for financial reporting purposes. Financial reporting records are adjusted for permanent book-to-tax differences to reflect tax character. These reclassifications have no effect on net assets or net asset value per share. At September 30, 2024, reclassifications were recorded to decrease accumulated undistributed net realized gain by \$1,355,297, and increase paid in capital by \$1,355,297.

The tax character of distributions paid during the years ended September 30, was as follows:

	09/30/2024	09/30/2023
Distributions paid from:		
Ordinary income	\$ 3,679,901	\$ 2,013,644
Long-term capital gain	3,954,893	32,845,086
Total distributions paid	<u>\$ 7,634,794</u>	<u>\$ 34,858,730</u>

Notes to Financial Statements (continued)

September 30, 2024

As of September 30, 2024, investment cost for federal tax purposes was \$550,830,948 and the tax basis components of net assets were as follows:

Unrealized appreciation	\$ 576,482,833
Unrealized depreciation	(4,824,785)
Net unrealized appreciation	<u>571,658,048</u>
Undistributed ordinary income	1,720,476
Accumulated undistributed net realized capital gains	34,096,812
Other accumulated gain/(loss)	2
Paid in capital	<u>514,725,313</u>
Net assets	<u>\$ 1,122,200,651</u>

There were no differences between U.S. GAAP financial statement and tax-basis cost.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of September 30, 2024. Also, the Fund recognized no interest and penalties related to uncertain tax benefits during the period ended September 30, 2024. At September 30, 2024, the fiscal years 2021 through 2024 remain open to examination in the Fund's major tax jurisdictions.

- (f) The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board ("FASB") ASC 946, "Financial Services - Investment Companies." U.S. GAAP guidance requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.
- (g) In the normal course of business the Fund enters into contracts that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of loss to be remote.
- (h) In connection with the preparation of the Fund's financial statements, management evaluated subsequent events after the date of the Statement of Assets and Liabilities of September 30, 2024. There have been no material subsequent events since September 30, 2024 that would require adjustment to or additional disclosure in these financial statements.

(2) Related Parties —

- (a) Investment Adviser and Management Agreement —

The Fund has an agreement with Nicholas Company, Inc. (with whom certain officers and directors of the Fund are affiliated) (the "Adviser") to serve as investment adviser and manager. Under the terms of the agreement, a monthly fee is paid to the Adviser based on an annualized fee of 0.75% of the average net

Notes to Financial Statements (continued)

September 30, 2024

asset value up to and including \$50 million, 0.60% of the average net asset value over \$50 million up to and including \$100 million and 0.50% of the average net asset value in excess of \$100 million.

The Adviser may be paid for accounting and administrative services rendered by its personnel, subject to the following guidelines: (i) up to five basis points, on an annual basis, of the average net asset value of the Fund up to and including \$2 billion and up to three basis points, on an annual basis, of the average net asset value of the Fund greater than \$2 billion, based on the average net asset value of the Fund as determined by valuations made at the close of each business day of each month, and (ii) where the preceding calculation results in an annual payment of less than \$50,000, the Adviser, in its discretion, may charge the Fund up to \$50,000 for such services.

(b) Legal Counsel —

A director of the Adviser is affiliated with a law firm that provides services to the Fund. The Fund incurred expenses of \$6,757 for the period ended September 30, 2024 for legal services rendered by this law firm.

(3) Investment Transactions —

For the period ended September 30, 2024, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$97,573,133 and \$110,554,575, respectively.

Report of Independent Registered Public Accounting Firm

To the shareholders and Board of Directors of Nicholas II, Inc.

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of Nicholas II, Inc. (the "Fund"), including the schedule of investments, as of September 30, 2024, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of September 30, 2024, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of September 30, 2024, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
November 26, 2024

We have served as the auditor of one or more Nicholas investment companies since 1977.

Approval of Investment Advisory Contract

(unaudited)

A discussion of the Approval by the Board of Directors of the Fund's Investment Advisory Contract can be found in the Fund's Semiannual Report dated March 31, 2024.

Information on Proxy Voting

(unaudited)

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 800-544-6547 or 414-276-0535. It also appears in the Fund's Statement of Additional Information, which can be found on the SEC's website, www.sec.gov. A record of how the Fund voted its proxies for the most recent twelve-month period ended June 30, also is available on the Fund's website, www.nicholasfunds.com, and the SEC's website, www.sec.gov.

Nicholas Funds Services Offered

(unaudited)

A description of the policies and procedures that the Fund uses to determine how to vote proxies

- IRAs
 - Traditional
 - SEP
 - Roth
 - SIMPLE
- Coverdell Education Savings Accounts
- Automatic Investment Plan
- Direct Deposit of Dividend and Capital Gain Distributions
- Systematic Withdrawal Plan
- Monthly Automatic Exchange between Funds
- Telephone Purchase and Redemption
- Telephone Exchange
- 24-hour Automated Account Information (800-544-6547)
- 24-hour Internet Account Access (www.nicholasfunds.com)

Please call a shareholder representative for further information on the above services or with any other questions you may have regarding the Nicholas Funds.

Directors and Officers

DAVID O. NICHOLAS, President and Director

JOHN A. HAUSER, Director

DAVID P. PELISEK, Director

JULIE M. VAN CLEAVE, Director

BRIAN J. JANOWSKI, Senior Vice President

JENNIFER R. KLOEHN, Senior Vice President,
Treasurer and Chief Compliance Officer

LAWRENCE J. PAVELEC, Senior Vice President and Secretary

JEFFREY J. STRONG, Senior Vice President

Investment Adviser

NICHOLAS COMPANY, INC.

Milwaukee, Wisconsin

www.nicholasfunds.com

414-276-0535 or 800-544-6547

Accountant

Dividend Disbursing Agent

Transfer Agent

U.S. BANCORP FUND SERVICES, LLC

Milwaukee, Wisconsin

414-276-0535 or 800-544-6547

Distributor

QUASAR DISTRIBUTORS, LLC

Portland, Maine

Custodian

U.S. BANK N.A.

Milwaukee, Wisconsin

Independent Registered Public Accounting Firm

DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

Counsel

MICHAEL BEST & FRIEDRICH LLP

Milwaukee, Wisconsin

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the investment company, and it may be obtained by calling 1-800-544-6547 or visiting www.nicholasfunds.com. Please read the prospectus carefully before investing.

Item 8. Changes in and Disagreements with Accountants for Open-End Management Investment Companies.

There have been no such changes in or disagreements with accountants as contemplated by Item 304 of Regulation S-K.

Item 9. Proxy Disclosures for Open-End Management Investment Companies.

Not applicable for this reporting period.

Item 10. Remuneration Paid to Directors, Officers, and Others of Open-End Management Investment Companies.

The remuneration paid to directors, officers, and others is disclosed in the Statement of Operations included under Item 7.(a) Financial Statements and Financial Highlights for Open-End Management Investment Companies of this Report.

Item 11. Statement Regarding Basis for Approval of Investment Advisory Contract.

The basis for approval of the investment advisory contract is included under Item 7.(a) Financial Statements and Financial Highlights for Open-End Management Investment Companies of this Report.