

SEMIANNUAL REPORT

March 31, 2011

NICHOLAS II, INC.

CONSISTENCY in a WORLD of CHANGE



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NICHOLAS II, INC.

May 2011

Dear Fellow Shareholders:

Equity markets have rebounded strongly off the lows reached during the financial crisis of 2008-2009. Although national unemployment remains high and the pace of economic expansion is more sluggish than what is typical following a deep recession, most companies are doing quite well. Corporate profits have tended to rebound strongly, balance sheets of most public companies are in good shape, and margins are near all-time highs. The Federal Reserve also is maintaining a very accommodating position of low interest rates and monetary stimulus. For the six-month period ending March 31, 2011, Nicholas II Class I returned 19.37% compared to the S&P 500 Index of 17.32%.

Returns for Nicholas II, Inc. Class I and Class N and selected indices are provided in the chart below for the periods ended March 31, 2011.

	Average Annual Total Returns				
	6 Month	1 Year	3 Year	5 Year	10 Year
Nicholas II, Inc. – Class I	19.37%	22.16%	7.69%	4.70%	6.58%
Nicholas II, Inc. – Class N (linked to Class I)	19.20%	21.75%	7.36%	4.35%	6.36%
Russell Midcap Growth Index . . .	22.96%	26.60%	7.63%	4.93%	6.94%
Russell 2000 Index	25.48%	25.79%	8.57%	3.35%	7.87%
Morningstar Mid-Cap Growth Category	22.68%	25.86%	6.68%	4.32%	5.91%
Standard and Poor's 500 Index . .	17.32%	15.65%	2.36%	2.62%	3.29%
Ending value of \$10,000 invested in Nicholas II, Inc. – Class I . . .	\$11,937	\$12,216	\$12,489	\$12,580	\$18,908
Ending value of \$10,000 invested in Nicholas II, Inc. – Class N (linked to Class I)	\$11,920	\$12,175	\$12,376	\$12,374	\$18,530

Fund's Class I Expense Ratio (from 01/31/11 Prospectus): 0.68%

Fund's Class N Expense Ratio (from 04/30/11 Prospectus): 1.00%

The Fund's expense ratios for the period ended March 31, 2011 can be found in the financial highlights included within this report.

Performance data quoted represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end, may be obtained by visiting www.nicholasfunds.com/returns.html.

The Fund's returns are reduced by expenses, while the market indices are not. The ending values above illustrate the performance of a hypothetical \$10,000 investment made in the Fund over the timeframes listed. Assumes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales charge or redemption fees. Returns shown do not reflect the deduction of taxes that a

shareholder would pay on Fund distributions or the redemption of Fund shares. These figures do not imply any future performance.

Class N of the Fund commenced operations on February 28, 2005. The annual returns shown for the Class I shares for this Fund would be substantially similar to the Class N because both classes of shares are invested in the same portfolio of securities. Annual returns will generally differ only to the extent that the classes do not have the same expenses. Specifically, the performance shown for the Class I shares does not reflect the 0.25% 12b-1 fee or 0.10% servicing fee that is charged to Class N shares.

During the first six months of the Fund's fiscal year, small- and mid-capitalization stocks outperformed large-caps, which is typical coming out of recessions. Also, low quality stocks that were hit hard during the recession tend to rebound more. Finally, commodity oriented securities perform well when commodity prices rise as they have through the report period end. Our investment philosophy focuses on high quality, less cyclical companies which tend to do better in the later part of an economic cycle. That being said, we were pleased with the performance of the Fund during this period of recovery.

The Fund's performance for the semiannual period was driven by stock selection in the information technology and consumer discretionary sectors where fundamentals were strong. Performance was also strong in the industrial and energy sectors as the economic recovery drove strong demand. The healthcare sector was a detractor from performance due to concerns about the new healthcare law, high unemployment, and insurance companies conscious efforts to hold down costs of medical procedures. The Fund's underperformance for the one-year period ended March 31, 2011 as compared to the mid-cap indices, stems from underweighting in the energy and material sectors which were good performers due to the aforementioned increase in commodity prices.

Currently, the portfolio is well diversified with approximately 23% in technology, 21% consumer related, 17% industrials, 14% healthcare, 11% financials, and about 4% in both the energy and materials sectors.

Looking forward, stocks, in particular small- and mid-size company stocks, have had big recoveries off the lows of 2008 leaving valuations at more normal levels. The economy has started to recover, albeit at a tepid pace due to slow hiring and slow-to-recover housing markets. We think this type of economy will be in place for quite a while. As always, we remain focused on owning companies that have solid balance sheets and good outlooks for growth. We believe that fundamental research and stock selection will be critical to investment success in this current environment.

Thank you for your continued support.



David O. Nicholas
Portfolio Manager

The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

Diversification does not assure a profit or protect against a loss in a declining market.

Please refer to the schedule of investments in the report for complete fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Standard and Poor's 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. One cannot invest directly in an index. Each Morningstar Category average represents a universe of Funds with similar investment objectives.

Must be preceded or accompanied by a prospectus.

The Nicholas Funds are distributed by Quasar Distributors, LLC. (05/11)

Financial Highlights Class I (NCTWX)

For a share outstanding throughout each period

	Six Months Ended 03/31/2011 (unaudited)	Years Ended September 30,				
		2010	2009	2008	2007	2006
NET ASSET VALUE,						
BEGINNING OF PERIOD	\$19.31	\$17.02	\$19.15	\$25.18	\$23.11	\$23.50
INCOME (LOSS) FROM INVESTMENT OPERATIONS						
Net investment income ⁽¹⁾	.05	.08	.11	.10	.08	.04
Net gain (loss) on securities (realized and unrealized)	3.66	2.31	(1.01)	(3.46)	3.10	1.73
Total from investment operations	3.71	2.39	(.90)	(3.36)	3.18	1.77
LESS DISTRIBUTIONS						
From net investment income	(.09)	(.10)	(.11)	(.10)	(.06)	(.01)
From net capital gain	(.38)	—	(1.12)	(2.57)	(1.05)	(2.15)
Total distributions	(.47)	(.10)	(1.23)	(2.67)	(1.11)	(2.16)
NET ASSET VALUE,						
END OF PERIOD	\$22.55	\$19.31	\$17.02	\$19.15	\$25.18	\$23.11
TOTAL RETURN	19.37% ⁽²⁾	14.06%	(2.86)%	(14.65)%	14.19%	7.85%
SUPPLEMENTAL DATA:						
Net assets, end of period (millions)	\$490.5	\$418.0	\$384.7	\$421.8	\$539.9	\$536.8
Ratio of expenses to average net assets	.65% ⁽³⁾	.68%	.72%	.67%	.66%	.67%
Ratio of net investment income to average net assets	.48% ⁽³⁾	.44%	.78%	.44%	.34%	.19%
Portfolio turnover rate	13.37% ⁽³⁾	28.67%	32.86%	27.48%	19.56%	16.90%

(1) Computed based on average shares outstanding.

(2) Not annualized.

(3) Annualized.

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

	Six Months Ended 03/31/2011 (unaudited)	Years Ended September 30,				
		2010	2009	2008	2007	2006
NET ASSET VALUE,						
BEGINNING OF PERIOD	\$19.11	\$16.87	\$19.04	\$25.03	\$23.00	\$23.45
INCOME (LOSS) FROM INVESTMENT OPERATIONS						
Net investment						
income (loss) ⁽¹⁾	.01	.02	.07	.03	.00 ⁽²⁾	(.03)
Net gain (loss) on securities (realized and unrealized)						
	3.62	2.29	(1.02)	(3.44)	3.08	1.71
Total from investment operations						
	3.63	2.31	(.95)	(3.41)	3.08	1.68
LESS DISTRIBUTIONS						
From net investment income						
	(.05)	(.07)	(.10)	(.01)	—	—
From net capital gain						
	(.38)	—	(1.12)	(2.57)	(1.05)	(2.13)
Total distributions						
	(.43)	(.07)	(1.22)	(2.58)	(1.05)	(2.13)
NET ASSET VALUE,						
END OF PERIOD	\$22.31	\$19.11	\$16.87	\$19.04	\$25.03	\$23.00
TOTAL RETURN						
	19.20% ⁽³⁾	13.70%	(3.17)%	(14.92)%	13.77%	7.49%
SUPPLEMENTAL DATA:						
Net assets, end of period (millions)						
	\$132.0	\$44.1	\$31.9	\$1.8	\$0.8	\$0.8
Ratio of expenses						
to average net assets	1.00% ⁽⁴⁾	1.00%	.98%	1.02%	1.01%	1.02%
Ratio of net investment income						
to average net assets	.13% ⁽⁴⁾	.12%	.48%	.09%	(.01)%	(.16)%
Portfolio turnover rate						
	13.37% ⁽⁴⁾	28.67%	32.86%	27.48%	19.56%	16.90%

(1) Computed based on average shares outstanding.

(2) The amount rounds to \$0.00.

(3) Not annualized.

(4) Annualized.

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

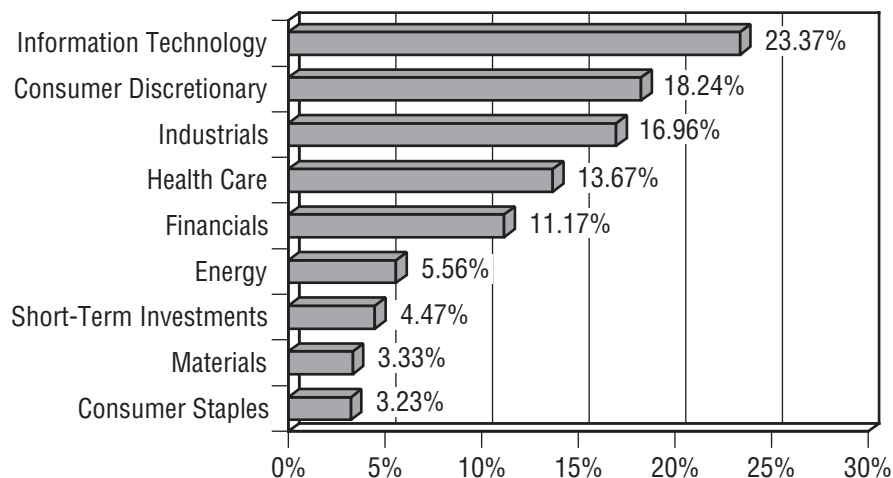
Top Ten Equity Portfolio Holdings

March 31, 2011 (unaudited)

<u>Name</u>	<u>Percentage of Net Assets</u>
IDEX Corporation	1.67%
IHS Inc. – Class A	1.57%
Altera Corporation	1.52%
AMETEK, Inc.	1.48%
Raymond James Financial, Inc.	1.41%
Willis Group Holdings PLC	1.41%
Microchip Technology Incorporated	1.40%
Fiserv, Inc.	1.37%
Teradata Corporation	1.34%
Fastenal Company	1.33%
Total of top ten	<u>14.50%</u>

Sector Diversification (as a percentage of portfolio)

March 31, 2011 (unaudited)



Fund Expenses

For the six month period ended March 31, 2011 (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees and other operating expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period.

The first line of the table below for each share class of the Fund provides information about the actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios for each class of the Fund and an assumed rate of return of 5% per year before expenses, which are not the Fund's actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Class I

	Beginning Account Value 09/30/10	Ending Account Value 03/31/11	Expenses Paid During Period* 10/01/10 - 03/31/11
Actual	\$1,000.00	\$1,193.70	\$3.55
Hypothetical (5% return before expenses)	1,000.00	1,021.76	3.28

* Expenses are equal to the Class I six-month annualized expense ratio of 0.65%, multiplied by the average account value over the period, multiplied by 182 then divided by 365 to reflect the one-half year period.

Fund Expenses (continued)

For the six month period ended March 31, 2011 (unaudited)

Class N

	<u>Beginning Account Value 09/30/10</u>	<u>Ending Account Value 03/31/11</u>	<u>Expenses Paid During Period** 10/01/10 - 03/31/11</u>
Actual	\$1,000.00	\$1,192.00	\$5.46
Hypothetical (5% return before expenses)	1,000.00	1,020.01	5.04

** Expenses are equal to the Class N six-month annualized expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 182 then divided by 365 to reflect the one-half year period.

Schedule of Investments

March 31, 2011 (unaudited)

Shares or Principal Amount		Value
COMMON STOCKS — 95.77%		
Consumer Discretionary – Automobiles & Components — 1.14%		
235,000	Gentex Corporation	\$ 7,108,750
Consumer Discretionary – Durables & Apparel — 3.33%		
190,000	Jarden Corporation	6,758,300
325,000	Newell Rubbermaid, Inc.	6,217,250
130,000	Tupperware Brands Corporation	7,762,300
		<u>20,737,850</u>
Consumer Discretionary – Media — 0.75%		
100,000	DIRECTV – Class A*	4,680,000
Consumer Discretionary – Retailing — 9.16%		
300,000	Aaron's, Inc.	7,608,000
165,000	CarMax, Inc.*	5,296,500
125,000	Guess?, Inc.	4,918,750
112,100	Kohl's Corporation	5,945,784
330,000	LKQ Corporation*	7,953,000
95,000	Nordstrom, Inc.	4,263,600
115,000	O'Reilly Automotive, Inc.*	6,607,900
170,000	PetSmart, Inc.	6,961,500
150,000	TJX Companies, Inc. (The)	7,459,500
		<u>57,014,534</u>
Consumer Discretionary – Services — 3.90%		
155,000	Darden Restaurants, Inc.	7,615,150
290,000	InterContinental Hotels Group PLC	6,011,700
60,000	Starwood Hotels & Resorts Worldwide, Inc.	3,487,200
140,000	Yum! Brands, Inc.	7,193,200
		<u>24,307,250</u>
Consumer Staples – Food, Beverage & Tobacco — 3.24%		
230,000	Hormel Foods Corporation	6,403,200
130,000	McCormick & Company, Inc.	6,217,900
110,000	Ralcorp Holdings, Inc.*	7,527,300
		<u>20,148,400</u>
Energy — 5.57%		
55,000	Cameron International Corporation*	3,140,500
35,000	Concho Resources Inc.*	3,755,500
100,000	Continental Resources, Inc.*	7,147,000
102,535	Kinder Morgan Management, LLC*	6,725,260
130,000	Petrohawk Energy Corporation*	3,190,200
50,000	Range Resources Corporation	2,923,000
215,000	Weatherford International Ltd.*	4,859,000

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

Schedule of Investments (continued)

March 31, 2011 (unaudited)

Shares or Principal Amount		Value
COMMON STOCKS — 95.77% (continued)		
Energy — 5.57% (continued)		
40,000	Whiting Petroleum Corporation*	\$ 2,938,000
		<u>34,678,460</u>
Financials – Banks — 1.82%		
100,000	Comerica Incorporated	3,672,000
102,637	Commerce Bancshares, Inc.	4,150,640
60,000	Cullen/Frost Bankers, Inc.	3,541,200
		<u>11,363,840</u>
Financials – Diversified — 5.50%		
67,500	Affiliated Managers Group, Inc.*	7,382,475
185,000	Eaton Vance Corp.	5,964,400
175,000	MSCI Inc.*	6,443,500
230,000	Raymond James Financial, Inc.	8,795,200
85,000	T. Rowe Price Group, Inc.	5,645,700
		<u>34,231,275</u>
Financials – Insurance — 3.32%		
230,000	Brown & Brown, Inc.	5,934,000
200,000	Marsh & McLennan Companies, Inc.	5,962,000
217,000	Willis Group Holdings PLC	8,758,120
		<u>20,654,120</u>
Financials – Real Estate — 0.56%		
60,000	Digital Realty Trust, Inc.	3,488,400
Health Care – Equipment & Services — 6.99%		
372,000	Allscripts Healthcare Solutions, Inc.*	7,808,280
25,000	Cerner Corporation*	2,780,000
205,000	DENTSPLY International Inc.	7,582,950
80,000	IDEXX Laboratories, Inc.*	6,177,600
170,000	ResMed Inc.*	5,100,000
125,000	St. Jude Medical, Inc.	6,407,500
305,000	VCA Antech, Inc.*	7,679,900
		<u>43,536,230</u>
Health Care – Pharmaceuticals, Biotechnology & Life Sciences — 6.71%		
85,000	Allergan, Inc.	6,036,700
115,000	Covance Inc.*	6,292,800
190,000	Gilead Sciences, Inc.*	8,063,600
47,500	Mettler-Toledo International Inc.*	8,170,000
115,000	Teva Pharmaceutical Industries Ltd.	5,769,550
133,920	Thermo Fisher Scientific Inc.*	7,439,256
		<u>41,771,906</u>

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

Schedule of Investments (continued)

March 31, 2011 (unaudited)

Shares or Principal Amount		Value
COMMON STOCKS — 95.77% (continued)		
Industrials – Capital Goods — 8.91%		
250,000	AECOM Technology Corporation*	\$ 6,932,500
210,000	AMETEK, Inc.	9,212,700
128,000	Fastenal Company	8,298,240
237,500	IDEX Corporation	10,366,875
165,000	Pentair, Inc.	6,235,350
105,000	Snap-on Incorporated	6,306,300
120,000	Westinghouse Air Brake Technologies Corporation	8,139,600
		<u>55,491,565</u>
Industrials – Commercial & Professional Services — 3.86%		
110,000	IHS Inc. – Class A*	9,762,500
115,000	Manpower Inc.	7,231,200
250,000	Ritchie Bros. Auctioneers Incorporated	7,037,500
		<u>24,031,200</u>
Industrials – Transportation — 4.23%		
80,000	C.H. Robinson Worldwide, Inc.	5,930,400
143,000	Expeditors International of Washington, Inc.	7,170,020
150,000	Landstar System, Inc.	8,852,000
315,000	UTi Worldwide Inc.	6,375,600
		<u>26,328,020</u>
Information Technology – Hardware & Equipment — 6.23%		
185,000	FLIR Systems, Inc.	6,402,850
125,000	Harris Corporation	6,200,000
170,000	Juniper Networks, Inc.*	7,153,600
340,000	Molex Incorporated – Class A	7,034,600
300,000	QLogic Corporation*	5,565,000
163,750	Zebra Technologies Corporation – Class A*	6,425,550
		<u>38,781,600</u>
Information Technology – Semiconductors & Semiconductor Equipment — 6.12%		
215,000	Altera Corporation	9,464,300
195,000	Avago Technologies Limited	6,064,500
150,000	Linear Technology Corporation	5,044,500
228,750	Microchip Technology Incorporated	8,694,788
140,000	Skyworks Solutions, Inc.*	4,538,800
130,000	Xilinx, Inc.	4,264,000
		<u>38,070,888</u>
Information Technology – Software & Services — 11.09%		
135,000	Accenture plc – Class A	7,420,950
140,000	Akamai Technologies, Inc.*	5,320,000

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

Schedule of Investments (continued)

March 31, 2011 (unaudited)

Shares or Principal Amount		Value
COMMON STOCKS — 95.77% (continued)		
Information Technology – Software & Services — 11.09% (continued)		
110,000	ANSYS, Inc.*	\$ 5,960,900
135,000	BMC Software, Inc.*	6,714,900
290,000	Broadridge Financial Solutions, Inc.	6,580,100
209,499	Fidelity National Information Services, Inc.	6,848,522
135,937	Fiserv, Inc.*	8,525,969
26,000	MasterCard Incorporated – Class A	6,544,720
215,000	Paychex, Inc.	6,742,400
165,000	Teradata Corporation*	8,365,500
		69,023,961
Materials — 3.34%		
35,000	Air Products and Chemicals, Inc.	3,156,300
50,000	Airgas, Inc.	3,321,000
241,400	Bemis Company, Inc.	7,920,334
125,000	Ecolab Inc.	6,377,500
		20,775,134
	TOTAL COMMON STOCKS	
	(cost \$379,589,327)	596,223,383
SHORT-TERM INVESTMENTS — 4.48%		
Commercial Paper — 4.23%		
\$1,500,000	Sara Lee Corporation 04/01/11, 0.28%	1,500,000
975,000	General Mills, Inc. 04/04/11, 0.25%	974,980
800,000	Integrus Energy Group, Inc. 04/04/11, 0.28%	799,981
2,000,000	Prudential Financial, Inc. 04/04/11, 0.25%	1,999,958
1,525,000	BMW US Capital, LLC 04/05/11, 0.33%	1,524,944
1,000,000	UnitedHealth Group Incorporated 04/05/11, 0.35%	999,961
2,000,000	Hitachi Capital America Corp. 04/06/11, 0.32%	1,999,911
875,000	Sherwin-Williams Company (The) 04/06/11, 0.23%	874,972
1,470,000	Clorox Company (The) 04/07/11, 0.30%	1,469,926
1,000,000	Sara Lee Corporation 04/08/11, 0.28%	999,946
800,000	UnitedHealth Group Incorporated 04/08/11, 0.35%	799,946
1,125,000	Clorox Company (The) 04/11/11, 0.30%	1,124,906
400,000	Sara Lee Corporation 04/11/11, 0.30%	399,967
600,000	Clorox Company (The) 04/12/11, 0.31%	599,943
1,000,000	Prudential Financial, Inc. 04/13/11, 0.28%	999,907
1,225,000	Prudential Financial, Inc. 04/14/11, 0.28%	1,224,876
1,000,000	BMW US Capital, LLC 04/15/11, 0.33%	999,872
1,400,000	Sara Lee Corporation 04/15/11, 0.28%	1,399,847
1,000,000	Clorox Company (The) 04/20/11, 0.30%	999,842
875,000	Prudential Financial, Inc. 04/20/11, 0.28%	874,871
1,550,000	Bemis Company, Inc. 04/21/11, 0.31%	1,549,733

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

Schedule of Investments (continued)

March 31, 2011 (unaudited)

Shares or Principal Amount		Value
SHORT-TERM INVESTMENTS — 4.48% (continued)		
Commercial Paper — 4.23% (continued)		
\$ 975,000	H.J. Heinz Finance Company 04/26/11, 0.28%	\$ 974,810
1,250,000	Kellogg Company 04/29/11, 0.25%	1,249,757
		<u>26,342,856</u>
Variable Rate Security — 0.25%		
1,525,300	American Family Financial Services, Inc. 04/01/11, 0.10% ⁽¹⁾	1,525,300
	TOTAL SHORT-TERM INVESTMENTS (cost \$27,868,156)	<u>27,868,156</u>
	TOTAL INVESTMENTS (cost \$407,457,483) — 100.25%	<u>624,091,539</u>
	LIABILITIES, NET OF OTHER ASSETS — (0.25)%	<u>(1,558,256)</u>
	TOTAL NET ASSETS (basis of percentages disclosed above) — 100%	<u>\$622,533,283</u>

* Non-income producing security.

(1) Subject to a demand feature as defined by the Securities and Exchange Commission.

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

Statement of Assets and Liabilities

March 31, 2011 (unaudited)

ASSETS	
Investments in securities at value (cost \$407,457,483)	\$624,091,539
Receivables –	
Dividend and interest	484,712
Capital stock subscription	261,741
Total receivables	<u>746,453</u>
Other	68,207
Total assets	<u>624,906,199</u>
LIABILITIES	
Payables –	
Investment securities purchased	1,931,401
Due to adviser –	
Management fee	272,358
Accounting and administrative fee	12,875
Total	<u>285,233</u>
12b-1 and servicing fee	55,966
Other payables and accrued expense	100,316
Total liabilities	<u>2,372,916</u>
Total net assets	<u>\$622,533,283</u>
NET ASSETS CONSIST OF	
Paid in capital	\$400,201,547
Net unrealized appreciation on investments	216,634,056
Accumulated undistributed net realized gain on investments	5,248,225
Accumulated undistributed net investment income	449,455
Total net assets	<u>\$622,533,283</u>
Class I:	
Net assets	\$490,540,364
Shares outstanding	21,751,705
NET ASSET VALUE PER SHARE (\$.01 par value, 125,000,000 shares authorized), offering price and redemption price	<u>\$22.55</u>
Class N:	
Net assets	\$131,992,919
Shares outstanding	5,915,056
NET ASSET VALUE PER SHARE (\$.01 par value, 75,000,000 shares authorized), offering price and redemption price	<u>\$22.31</u>

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

Statement of Operations

For the six months ended March 31, 2011 (unaudited)

INCOME	
Dividend (net of foreign taxes of \$9,672)	\$ 3,054,201
Interest	<u>42,606</u>
Total income	<u>3,096,807</u>
EXPENSES	
Management fee	1,453,641
Transfer agent fees	112,491
12b-1 fees – Class N	110,632
Accounting and administrative fees	68,319
Servicing fees – Class N	44,253
Registration fees	28,352
Postage and mailing	28,319
Printing	18,777
Audit and tax fees	14,725
Custodian fees	14,102
Insurance	12,623
Directors' fees	10,275
Accounting system and pricing service fees	5,562
Legal fees	3,990
Other operating expenses	<u>3,360</u>
Total expenses	<u>1,929,421</u>
Net investment income	<u>1,167,386</u>
NET REALIZED GAIN ON INVESTMENTS	<u>5,500,177</u>
CHANGE IN NET UNREALIZED	
APPRECIATION/DEPRECIATION ON INVESTMENTS	<u>87,925,209</u>
Net realized and unrealized gain on investments	<u>93,425,386</u>
Net increase in net assets resulting from operations	<u>\$94,592,772</u>

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

Statements of Changes in Net Assets

For the six months ended March 31, 2011 (unaudited)
and the year ended September 30, 2010

	Six Months Ended 03/31/2011	Year Ended 09/30/2010
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment income	\$ 1,167,386	\$ 1,800,419
Net realized gain on investments	5,500,177	16,041,627
Change in net unrealized appreciation/depreciation on investments	87,925,209	39,997,236
Net increase in net assets resulting from operations	94,592,772	57,839,282
DISTRIBUTIONS TO SHAREHOLDERS		
From net investment income – Class I	(1,855,287)	(2,129,851)
From net realized gain on investments – Class I	(8,197,926)	—
From net investment income – Class N	(189,759)	(154,485)
From net realized gain on investments – Class N	(1,517,676)	—
Total distributions	(11,760,648)	(2,284,336)
CAPITAL SHARE TRANSACTIONS		
Proceeds from shares issued – Class I (523,570 and 637,825 shares, respectively)	11,200,682	11,559,590
Reinvestment of distributions – Class I (446,453 and 111,674 shares, respectively)	9,446,959	1,992,262
Cost of shares redeemed – Class I (869,363 and 1,700,297 shares, respectively)	(18,463,033)	(30,779,416)
Proceeds from shares issued – Class N (3,902,403 and 1,288,634 shares, respectively)	81,637,427	22,917,431
Reinvestment of distributions – Class N (81,365 and 8,723 shares, respectively)	1,705,398	154,399
Cost of shares redeemed – Class N (377,646 and 880,709 shares, respectively)	(7,992,795)	(15,874,311)
Change in net assets derived from capital share transactions	77,534,638	(10,030,045)
Total increase in net assets	160,366,762	45,524,901
NET ASSETS		
Beginning of period	462,166,521	416,641,620
End of period (including accumulated undistributed net investment income of \$449,455 and \$1,327,115, respectively)	\$622,533,283	\$462,166,521

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

Notes to Financial Statements

March 31, 2011 (unaudited)

(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. 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. 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. Variable rate demand notes are valued at cost, which approximates market value. U.S. Treasury Bills and commercial paper are stated at amortized cost, which approximates market value. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the year. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurements and Disclosures” (“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

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 securities, underlying equity of the issuer, proprietary pricing models, credit risk, etc.)

Notes to Financial Statements (continued)

March 31, 2011 (unaudited)

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 March 31, 2011 in valuing the Fund’s investments carried at value:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 –	
Common Stocks ⁽¹⁾	\$596,223,383
Level 2 –	
Commercial Paper	26,342,856
Variable Rate Security	1,525,300
Level 3 –	
None	—
Total	<u>\$624,091,539</u>

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

There were no significant transfers between levels during the period ended March 31, 2011 and 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.
- (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.

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 service 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. 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.

- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid

Notes to Financial Statements (continued)

March 31, 2011 (unaudited)

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. Distributions are determined in accordance with income tax regulations, which may differ from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book to tax differences to reflect tax character. At March 31, 2011, no reclassifications were recorded.

The tax character of distributions paid during the six months ended March 31, 2011 and the year ended September 30, 2010 was as follows:

	<u>03/31/2011</u>	<u>09/30/2010</u>
Distributions paid from:		
Ordinary income	\$ 2,045,046	\$2,284,336
Long-term capital gain	<u>9,715,602</u>	<u>—</u>
Total distributions paid	<u>\$11,760,648</u>	<u>\$2,284,336</u>

As of March 31, 2011, investment cost for federal tax purposes was \$407,708,317 and the tax basis components of net assets were as follows:

Unrealized appreciation	\$220,722,166
Unrealized depreciation	<u>(4,338,944)</u>
Net unrealized appreciation	<u>\$216,383,222</u>

The difference between book-basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses from wash sales.

As of the fiscal year ended September 30, 2010, the Fund realized no post-October losses for tax purposes.

As of March 31, 2011, the Fund had a tax deferral of wash loss sales of approximately \$251,000.

As of fiscal year ended September 30, 2010, the Fund had no capital loss carryforward.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "RIC Act") was enacted. The RIC Act modernizes several of the federal income and excise tax provisions related to regulated investment companies ("RICs"). Under the RIC Act, new capital losses may be carried forward indefinitely, with the character of the original loss retained. The RIC Act also contains simplification provisions, which are aimed at preventing disqualification of a RIC for inadvertent failures to comply with asset diversification and/or qualifying income tests. The RIC Act exempts RICs from the preferential dividend rule and repealed the 60-day designation requirement for certain types of pay-through income and gains. In addition, the RIC Act contains provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31. Except for the simplification

Notes to Financial Statements (continued)

March 31, 2011 (unaudited)

provisions related to RIC qualification, the RIC Act is effective for taxable years beginning after December 22, 2010. Management is currently evaluating the implications of the RIC Act, if any, and the impact on the Funds' financial statements is currently being assessed.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of March 31, 2011. Also, the Fund recognized no interest and penalties related to uncertain tax benefits in fiscal 2011. At March 31, 2011, the fiscal years 2007 through 2011 remain open to examination in the Fund's major tax jurisdictions.

- (f) The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.
- (g) 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 March 31, 2011. There have been no significant subsequent events since March 31, 2011 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 .75% of the average net asset value up to and including \$50 million, .60% of the average net asset value over \$50 million up to and including \$100 million and .50% of the average net asset value in excess of \$100 million. Also, 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 \$1,740 for the period ended March 31, 2011 for legal services rendered by this law firm.

(3) Investment Transactions —

For the period ended March 31, 2011, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$92,637,290 and \$34,480,016, respectively.

Historical Record

(unaudited)

Class	Net Asset Value Per Share	Net Investment Income Distributions Per Share	Capital Gain Distributions Per Share	Dollar Weighted Price/Earnings Ratio ⁽²⁾	Growth of an Initial \$10,000 Investment ⁽³⁾
Class I					
October 17, 1983 ⁽¹⁾	\$10.00	\$ —	\$ —	—	\$10,000
September 30, 1984	11.66	—	—	12.6 times	11,660
September 30, 1985	14.39	0.0930	0.1860	11.7	14,742
September 30, 1986	16.90	0.1630	0.0610	15.0	17,581
September 30, 1987	21.01	0.4200	0.5130	20.9	23,108
September 30, 1988	18.58	0.3380	1.3030	15.0	22,766
September 30, 1989	21.76	0.3350	0.0800	17.1	27,291
September 30, 1990	17.39	0.3124	0.6686	14.8	22,888
September 30, 1991	23.87	0.3422	0.1434	17.8	32,250
September 30, 1992	24.53	0.2447	0.4042	17.3	34,052
September 30, 1993	26.94	0.2350	0.8000	18.1	38,885
September 30, 1994	26.71	0.2000	1.4700	18.5	41,020
September 30, 1995	30.07	0.2056	1.8944	20.8	50,205
September 30, 1996	33.34	0.1750	2.4979	28.9	60,922
September 30, 1997	40.65	0.0779	3.1621	31.4	82,206
September 30, 1998	34.78	0.0810	5.2282	28.6	80,845
September 30, 1999	31.83	0.1337	4.0049	29.0	82,864
September 30, 2000	36.58	0.0100	0.4701	35.1	96,527
September 30, 2001	17.54	—	13.1200	23.4	76,361
September 30, 2002	15.34	—	0.5766	22.2	68,730
September 30, 2003	18.97	—	—	22.9	84,994
September 30, 2004	21.88	—	0.0015	22.9	98,040
September 30, 2005	23.50	—	0.9146	23.3	109,547
September 30, 2006	23.11	0.0083	2.1472	22.4	118,142
September 30, 2007	25.18	0.0643	1.0460	23.4	134,908
September 30, 2008	19.15	0.0978	2.5678	17.5	115,141
September 30, 2009	17.02	0.1072	1.1206	19.2	111,845
September 30, 2010	19.31	0.0957	—	20.7	127,575
March 31, 2011	22.55	0.0867 (a)	0.3831 (a)	21.5	152,288
Class N					
February 28, 2005 ⁽¹⁾	\$22.59	\$ —	\$ —	23.1 times	\$10,000
September 30, 2005	23.45	—	—	23.3	10,381
September 30, 2006	23.00	—	2.1340	22.4	11,158
September 30, 2007	25.03	—	1.0460	23.4	12,694
September 30, 2008	19.04	0.0067	2.5678	17.5	10,800
September 30, 2009	16.87	0.0969	1.1206	19.2	10,457
September 30, 2010	19.11	0.0666	—	20.7	11,890
March 31, 2011	22.31	0.0479 (a)	0.3831 (a)	21.5	14,173

(1) Date of Initial Public Offering.

(2) Based on latest 12 months accomplished earnings.

(3) Assuming reinvestment of all distributions.

(a) Paid on December 27, 2010 to shareholders of record on December 23, 2010.

Approval of Investment Advisory Contract

(unaudited)

In October 2010, the Board of Directors of the Fund renewed the one-year term of the Investment Advisory Agreement by and between the Fund and the Adviser through October 2011. In connection with the renewal of the Investment Advisory Agreement, no changes to the amount or manner of calculation of the management fee or the terms of the agreement were proposed by the Adviser or adopted by the Board. For the annual period ended September 30, 2010, the management fee was 0.54% and the Fund's Class I and Class N total expense ratios (including the management fee) were 0.68% and 1.00%, respectively. In renewing the Investment Advisory Agreement, the Board carefully considered the following factors on an absolute basis and relative to the Fund's peer group: (i) the Fund's historical performance; (ii) the Fund's performance relative to its benchmark; (iii) the expense ratios for peer group funds in the mid-cap growth category and the Fund's risk/return profile as measured by the standard deviation and the Sharpe Ratio; and (iv) the range and quality of the services offered by the Adviser. The peer group fund data included mid-cap growth focused funds with similar asset sizes, number of holdings and market capitalizations. In terms of the peer group data used for performance comparisons, the Fund's Class I was ranked 16th, 6th, 14th and 8th out of 19 funds for the one-, three-, five- and ten-year periods ending September 30, 2010. The Fund's Class I had the third lowest expense ratio among its peer group.

The Board considered the range of services to be provided by the Adviser to the Fund under the Advisory Agreement. The Board concluded that the nature, extent and quality of the services to be provided were consistent with the terms of the Advisory Agreement and the needs of the Fund, and that the services provided were of a high quality.

The Board considered the investment performance of the Fund and the Adviser. Among other things, the Board noted its consideration of the Fund's performance relative to peer funds and its benchmarks. The Board reviewed the actual and relative short-term and long-term performance of the Fund. The Board agreed that the Fund demonstrated satisfactory performance with respect to its benchmarks and peers. The Board also discussed the extent to which economies of scale would be realized, and whether such economies were reflected in the Fund's fee levels and concluded that the Adviser had been instrumental in holding down Fund costs, citing consistently low fees in an environment where fund fees have been flat or on an upward trend.

The Board considered the cost of services provided and the profits to be realized by the Adviser from the relationship with the Fund. The Board concluded that given the Board's focus on performance and maintaining a low fee structure that the Adviser's profits were not relevant.

The Board compared fees and services provided by the Adviser and concluded that the Adviser maintained a low fee structure and provided services of high quality.

The Board determined that the Adviser had fully and adequately carried out the terms and conditions of its contract with the Fund. The Board expressed satisfaction with the Fund's absolute performance and management's strategies to improve relative performance, management's control of expenses and the rate of the management fee for the Fund and the overall level of services provided by the Adviser.

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 (toll-free) 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.

Quarterly Portfolio Schedule

(unaudited)

The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Privacy Policy

(unaudited)

Nicholas II, Inc. respects each shareholder's right to privacy. We are committed to safeguarding the information that you provide us to maintain and execute transactions on your behalf.

We collect the following non-public personal information about you:

- Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. This includes, but is not limited to, your name, address, phone number, tax identification number, date of birth, beneficiary information and investment selection.
- Information about your transactions with us and account history with us. This includes, but is not limited to, your account number, balances and cost basis information. This also includes transaction requests made through our transfer agent.
- Other general information that we may obtain about you such as demographic information.

**WE DO NOT SELL ANY NON-PUBLIC PERSONAL INFORMATION
ABOUT CURRENT OR FORMER SHAREHOLDERS.**

**INFORMATION SHARED WITH OUR TRANSFER AGENT,
A THIRD PARTY COMPANY, ALSO IS NOT SOLD.**

We may share, only as permitted by law, non-public personal information about you with third party companies. Listed below are some examples of third parties to whom we may disclose non-public personal information. While these examples do not cover every circumstance permitted by law, we hope they help you understand how your information may be shared.

We may share non-public personal information about you:

- With companies who work for us to service your accounts or to process transactions that you may request. This would include, but is not limited to, our transfer agent to process your transactions, mailing houses to send you required reports and correspondence regarding the Fund and its Adviser, the Nicholas Company, Inc., and our dividend disbursing agent to process fund dividend checks.
- With a party representing you, with your consent, such as your broker or lawyer.
- When required by law, such as in response to a subpoena or other legal process.

The Fund and its Adviser maintain policies and procedures to safeguard your non-public personal information. Access is restricted to employees who the Adviser determines need the information in order to perform their job duties. To guard your non-public personal information we maintain physical, electronic, and procedural safeguards that comply with federal standards.

In the event that you hold shares of the Fund with a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

Automatic Investment Plan – An Update

(unaudited)

The Nicholas Family of Funds' Automatic Investment Plan provides a simple method to dollar cost average into the fund(s) of your choice.

Dollar cost averaging involves making equal systematic investments over an extended time period. A fixed dollar investment will purchase more shares when the market is low and fewer shares when the market is high. The automatic investment plan is an excellent way for you to become a disciplined investor.

The following table illustrates what dollar cost averaging can achieve. Please note that past performance is no guarantee of future results. Nicholas Company recommends dollar cost averaging as a practical investment method. It should be consistently applied for long periods so that investments are made through several market cycles.

	Nicholas II – Class I	
\$1,000 initial investment on	10/17/83*	03/31/01
Number of years investing \$100 each month following the date of initial investment	27.5	10
Total cash invested	\$34,000	\$13,000
Total dividend and capital gain distributions reinvested	\$105,700	\$4,163
Total full shares owned at 03/31/11	6,443	877
Total market value at 03/31/11	\$145,304	\$19,788

The results above assume purchase on the last day of the month. The Nicholas Automatic Investment Plan actually invests on the 20th of each month (or on the alternate date specified by the investor). Total market value includes reinvestment of all distributions.

* Date of Initial Public Offering.

Directors and Officers

DAVID O. NICHOLAS, President and Director
ROBERT H. BOCK, Director
TIMOTHY P. REILAND, Director
JAY H. ROBERTSON, Director
ALBERT O. NICHOLAS, Executive Vice President
DAVID L. JOHNSON, Executive Vice President
JEFFREY T. MAY, Senior Vice President, Secretary,
Treasurer and Chief Compliance Officer
LYNN S. NICHOLAS, Senior Vice President
LAWRENCE J. PAVELEC, Senior Vice President
CANDACE L. LESAK, Vice President

Investment Adviser

NICHOLAS COMPANY, INC.
Milwaukee, Wisconsin
www.nicholasfunds.com
414-276-0535 or 800-544-6547

Transfer Agent

U.S. BANCORP FUND SERVICES, LLC
Milwaukee, Wisconsin
414-276-0535 or 800-544-6547

Distributor

QUASAR DISTRIBUTORS, LLC
Milwaukee, Wisconsin

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

This report is submitted for the information of shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.