SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 28, 2004
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to

Commission File No. 0-3189

NATHAN'S FAMOUS, INC.
(Exact name of registrant as specified in its charter)

Delaware	11-3166443
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1400 Old Country Road, Westbury, New York	11590
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (516)338-8500

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

Title of Class	Name of Each Exchange on which Registered
None	None

Securities registered pursuant to Section 12(g)of the Act:
Common Stock - par value $.01
(Title of Class)

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K [X].

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 28, 2003 was approximately $23,747,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of June 7, 2004, there were 5,213,901 shares of Common Stock, par value $.01 per share outstanding.

Documents incorporated by reference: Part III (Items 10, 11, 12 and 13) - Registrant's definitive proxy statement to be filed pursuant to Regulation 14-A of the Securities Exchange Act of 1934.

PART I

ITEM 1. BUSINESS

As used herein, unless we otherwise specify, the terms "we," "us," "our" and "Nathan's" mean Nathan's Famous, Inc. and its subsidiaries, including Miami Subs Corporation, owner of the Miami Subs brand, and NF Roasters Corp., owner of the Kenny Rogers brand.

We have historically operated and franchised fast food units featuring Nathan's famous brand all beef frankfurters, crinkle-cut french fried potatoes, and a variety of other menu offerings. Our Nathan's brand company-owned and franchised units operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Since fiscal 1998, we supplemented our Nathan's franchise program with our Branded Product Program which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, we acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. and also completed a merger with Miami Subs Corporation whereby we acquired the remaining 70% of Miami Subs common stock we did not already own.

Over the past five years, we have focused on developing our restaurant franchise system by continuing to open new franchised restaurants, expanding our Nathan's Branded Product Program and our Nathan's branded retail licensing programs, operating our existing company-owned restaurants and developing an international master franchising program. In an effort to expand our restaurant system and expand our brand portfolio, during fiscal 2000 we completed our merger with Miami Subs Corp. and our acquisition of the intellectual property of the Kenny Rogers Roasters franchise system. In addition, through our acquisition of Miami Subs, we also secured certain co-branding rights to use the Arthur Treachers' brand within the United States. During fiscal 2002 we offered the Nathan's, Kenny Rogers Roasters and Arthur Treachers' signature products to the Miami Subs franchise community. Since then, we have continued to capitalize on the co-branding opportunities within the Nathan's restaurant system, as well as seek to develop new multi-brand marketing and development plans.

At March 28, 2004, our system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 338 franchised units, including six units operating pursuant to management agreements, 7 company-owned units concentrated in the New York metropolitan area and more than 3,300 branded product points of sale under our Branded Product Program, located in 44 states, the District of Columbia and 12 foreign countries.

We plan to seek to continue expanding the scope and market penetration of our Branded Product Program, further develop the restaurant operations of existing franchised and company-owned outlets ,open new franchised outlets in traditional or captive market environments, expand the Nathan's retail licensing programs and continue to introduce co-branding opportunities within our restaurant system. We may selectively consider opening new company-owned restaurants. We also plan to further develop an international presence through the use of master franchising agreements based upon individual or combined use of all three restaurant concepts.

We were incorporated in Delaware on July 10, 1992 under the name "Nathan's Famous Holding Corporation" to act as the parent of a Delaware corporation then-known as Nathan's Famous, Inc. On December 15, 1992, we changed our name to Nathan's Famous, Inc. and our Delaware subsidiary changed its name to Nathan's Famous Operating Corporation. The Delaware subsidiary was organized in October 1989 in connection with its reincorporation in Delaware from that of a New York corporation named "Nathan's Famous, Inc." The New York Nathan's was incorporated on July 10, 1925 as a successor to the sole proprietorship that opened the first Nathan's restaurant in Coney Island in 1916. On July 23, 1987, Equicor Group, Ltd. was merged with and into the New York Nathan's in a "going private" transaction. The New York Nathan's, the Delaware subsidiary and Equicor may all be deemed to be our predecessors.

RESTAURANT OPERATIONS

Nathan's Concept and Menus

Our Nathan's concept offers a wide range of facility designs and sizes, suitable to a vast variety of locations and features a core menu, consisting of the "Nathan's Famous" all-beef frankfurters, crinkle-cut french fries and beverages. Nathans' menu is designed to be tailored to take advantage of site-specific market opportunities by adding complementary food items to the core menu. The Nathan's concept is suitable to stand alone or be co-branded with other nationally recognized brands.

Nathans' hot dogs are all-beef and are free from all fillers and starches. Hot dogs are flavored with the original secret blend of spices created by Ida Handwerker in 1916, which historically have distinguished Nathans' hot dogs. Our hot dogs are prepared and served in accordance with procedures which have not varied significantly in more than 88 years. Our signature crinkle-cut french fried potatoes are featured at each Nathan's restaurant. Nathans' french fried potatoes are cooked in 100% cholesterol-free corn oil. We believe that the majority of sales in our company-owned units consist of Nathan's famous hot dogs, crinkle-cut french fried potatoes and beverages.

Individual Nathan's restaurants supplement their core menu of hot dogs, french fries and beverages with a variety of other quality menu choices including: chargrilled hamburgers, chargrilled chicken sandwiches, Philly Cheesesteaks, selected seafood and other chicken items, a breakfast menu and assorted desserts and snacks. While the number of supplemental menus carried varies with the size of the unit, the specific supplemental menus chosen are tailored to local food preferences and market conditions. Each of these supplemental menu options consists of a number of individual items; for example, the hamburger menu may include chargrilled bacon cheeseburgers, superburgers and super cheeseburgers. We maintain the same quality standard with each of Nathan's supplemental menus as we do with Nathans' core hot dog and french fried potato menu. Thus, for example, hamburgers and sandwiches are prepared to order and not pre-wrapped or kept warm under lights. Nathan's also has a "Kids Meal" program in which various menu alternatives are combined with toys to appeal to the children's market.

Nathans' restaurant designs are available in a range of sizes from 300 to 4,000 sq. ft. We have also developed Nathan's carts, kiosks, and modular units. Our smaller units may not have customer seating areas, although they may often share seating areas with other fast food outlets in food court settings. Other units generally provide seating for 45 to 125 customers. Carts, kiosks and modular units generally carry only the core menu. This menu is supplemented by a number of other menu selections in our other restaurant types.

We believe Nathan's carts, kiosks, modular units and food court designs are particularly well-suited for placement in non-traditional sites, such as airports, travel plazas, stadiums, schools, convenience stores, entertainment facilities, military facilities, business and industry food service, within larger retail operations and other captive markets. Many of these smaller units have been designed specifically to support our expanding Branded Product Program. All of these units feature the Nathan's logo and utilize a contemporary design.

Miami Subs Concept and Menu

Our Miami Subs concept features a wide variety of moderately priced lunch, dinner and snack foods, including hot and cold submarine sandwiches, various ethnic foods such as gyros and pita sandwiches, flame grilled hamburgers and chicken breast sandwiches, cheesesteaks, chicken wings, fresh salads, ice cream and other desserts. Soft drinks, iced tea, coffee, beer and wine are also offered.

Freshness and quality of breads, produce and other ingredients are emphasized in Miami Subs restaurants. The Miami Subs menu may include low-fat selections such as salads, grilled chicken breasts, and non-fat frozen yogurt which we believe are perceived as nutritious and appealing to health conscious consumers. We believe Miami Subs has become known for certain "signature" foods, such as grilled chicken on pita bread, gyros on pita bread, cheesesteaks and chicken wings.

Miami Subs restaurants feature a distinctive decor unique to the Miami Subs concept. The exterior of free-standing restaurants feature an unusual roof design and neon pastel highlights for easy recognition. Interiors have a tropical motif in a neon pink and blue color scheme with murals of fish, mermaids, flamingos and tropical foliage. Exteriors and interiors are brightly lit to create an inviting, attractive ambience to distinguish our restaurants from those of our competitors. At March 28, 2004, 73 of the Miami Subs restaurants were located in freestanding buildings, ranging between 2,000 and 5,000 square feet. Certain other Miami Subs restaurants are scaled down to accommodate non-traditional captive market environments.

Miami Subs restaurants are typically open seven days a week, generally opening at 10:30 am, with many of the restaurants having extended late-night hours. Indoor service is provided at a walk-up counter where the customer places an order and is given an order number and a drink cup. The customer then proceeds to a self service soda bar while the food is prepared to order. Drive-thru service is provided at substantially all free-standing Miami Subs restaurants. We estimate that drive-thru sales account for approximately 54% of sales in free-standing restaurants that maintain drive-thru service.

Currently, 81 Miami Subs restaurants offer our co-branded menu consisting of various selections of Nathan's, Kenny Rogers Roasters or Arthur Treachers' signature products and created a new image for Miami Subs based upon this co-branding strategy called "Miami Subs Plus."

Kenny Rogers Roasters Concept and Menu

The Kenny Rogers Roasters concept was first introduced in 1991 with the idea of serving home-style family foods based on a menu centered around wood-fire rotisserie chicken. Kenny Rogers Roasters' unique proprietary marinade and spice formula, combined with wood-fire roasting in a specifically designed rotisserie, became the basis of a breakthrough taste in rotisserie chicken. The menu, design and service style were created to position the concept midway between quick-serve and casual dining. This format, coupled with a customer friendly environment developed for dine-in or take-home consumers, is the precursor of the Kenny Rogers Roasters system.

The distinctive flavoring of our Kenny Rogers Roasters chicken is the result of a two step process. First, our chickens are marinated using a specially flavored proprietary marinade. Then a second unique blend of spice is applied to the chicken prior to cooking, often in an open flame wood-fire rotisserie in full view of customers at the restaurant. Other entrees offered in Kenny Rogers Roasters restaurants may include Honey Bourbon BBQ ribs and rotisserie turkey. Complimenting Kenny Rogers Roasters main courses are a wide variety of freshly prepared side dishes, corn muffins, soups, salads and sandwiches. The menu offers a healthful alternative to traditional quick-serve menu offerings that caters to families and individuals.

The traditional Kenny Rogers Roasters restaurants are free standing buildings or large in-line units offering dine-in and drive thru delivery options ranging in size between 3,000 and 4,000 sq. ft. with seating capacity for approximately 125 guests. Other prototype restaurant designs that are being considered include food court units and scaled down in-line and free standing restaurant types.

Franchise Operations

At March 28, 2004, our franchise system, including our Nathan's, Miami Subs and Kenny Rogers restaurant concepts, consisted of 338 units operating in 23 states and 10 foreign countries.

Today, our franchise system counts among its 129 franchisees and licensees such well known companies as HMS Host , ARAMARK Leisure Services, Inc., CA1 Services, Inc., Centerplate (formerly known as Service America Corp.), Culinart and National Amusements. We continue to seek to market our franchising program to larger, experienced and successful operators with the financial and business capability to develop multiple franchise units.

As of March 28, 2004, Host Marriott operated 37 franchised outlets, including 14 units at airports, 18 units within highway travel plazas and five units within malls. Additionally, Host Marriott operates 15 locations featuring Nathan's products pursuant to our Branded Product Program.

Nathan's Franchise Program

Franchisees are required to execute a standard franchise agreement prior to opening each Nathan's Famous unit. Our current standard Nathan's franchise agreement provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 5.0% of restaurant sales and the expenditure of 2.0% of restaurant sales on advertising. We also offer a modified franchise agreement tailored to meet the needs of franchisees who desire to operate a Nathan's of a smaller size offering a reduced menu. The modified franchise agreement provides for the initial franchise fee of $15,000 which is payable upon execution of the agreement, monthly royalties of 5.0% and the expenditure of 2.0% of restaurant sales on advertising. We may offer alternatives to the standard franchise agreement, having to do with franchise fees or advertising requirements. The initial term of the typical franchise agreement is 20 years, with a 15-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Franchisees are approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement.

We provide numerous support services to our Nathan's franchisees. We assist in and approve all site selections. Thereafter, we provide architectural plans suitable for restaurants of varying sizes and configurations for use in food-court, in-line and free-standing locations. We also assist in establishing building design specifications, reviewing construction compliance, equipping the restaurant and providing appropriate menus to coordinate with the restaurant design and location selected by the franchisee. We typically do not sell food, equipment or supplies to our Nathan's franchisees.

We offer various management training courses for management personnel of company-owned and franchised Nathan's restaurants. At least one restaurant manager from each restaurant must successfully complete our mandated management training program. We also offer additional operations and general management training courses for all restaurant managers and other managers with supervisory responsibilities. We provide standard manuals to each franchisee covering training and operations, products and equipment and local marketing programs. We also provide ongoing advice and assistance to franchisees. We host periodic "Focus on Food" meetings with our franchisees to discuss upcoming marketing events, menu development and other topics, each of which is created to provide systemwide benefits.

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. All standards and specifications are developed by us and applied on a system-wide basis. We continuously monitor franchisee operations and inspect restaurants. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise or license agreement. We make both announced and unannounced inspections of restaurants to ensure that our practices and procedures are being followed. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise or license agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 28, 2004, ("fiscal 2004") franchisees have opened 21 new Nathan's franchised units and one Nathan's franchise agreement for non-compliance was terminated.

Franchisees who desire to open multiple units in a specific territory within the United States may enter into a standard area development agreement under which we receive an advance fee based upon the number of proposed units which the franchisee is authorized to open. This advance is credited against the franchise fee payable to us as provided in the standard franchise agreement. We may also grant exclusive territorial rights in foreign countries for the development of Nathan's units based upon compliance with a predetermined development schedule. Additionally, we may further grant exclusive manufacturing and distribution rights in foreign countries. In all situations we expect to require an exclusivity fee to be conveyed for such exclusive rights.

Miami Subs Franchise Program

Franchisees are required to execute a standard franchise agreement relating to the operation of each Miami Subs restaurant. Currently, the term of the franchise agreement is between ten and 20 years, and the initial franchise fee is $30,000 for traditional restaurants and $15,000 for certain non-traditional restaurants. The standard franchise agreement provides for the payment of a monthly royalty fee of 4.5% of gross sales in traditional restaurants or 5.0% of gross sales in non-traditional restaurants for the term of the franchise agreement. Additional charges, based on a percentage of restaurant sales are required by operators of traditional restaurants, typically totaling 2.25%, to support various system-wide and local advertising funds.

In addition to individual franchise agreements, we have from time to time entered into development agreements with certain franchisees. The development agreement establishes a minimum number of restaurants that the franchisee is required to open in an agreed upon exclusive area during the term of the agreement. In addition to receiving a franchise fee for each restaurant opened, we also receive a non-refundable fee based upon the number of restaurants committed to be opened under the agreement.

Operations personnel train and assist Miami Subs franchisees in opening new restaurants and monitor the operations of existing restaurants as part of the support provided under the franchise program. New franchisees are required to complete a six-week training program. Upon the opening of a new franchised restaurant, we typically send representatives to the restaurant to assist the franchisee during the opening period. These company representatives work in the restaurant to monitor compliance with Miami Subs' standards and provide additional on-site training of the franchisee's restaurant personnel.

We also provide development and construction support services to our Miami Subs franchisees. We review and approve plans and specifications for the restaurants before improvements begin. Our personnel typically visit the facility during construction to verify that construction standards are met.

The six-week training program consists of formal classroom training and in-restaurant training featuring various aspects of day-to-day operations leading to certification in all functioning positions. Topics covered include human resources, accounting and purchasing, in addition to labor and food handling laws. Standard operating manuals are provided to each franchisee.

To maintain uniform standards of appearance, service and food and beverage quality for our Miami Subs restaurants, we have adopted policies and implemented a monitoring program. Franchisees are expected to adhere to specifications and standards in connection with the selection and purchase of products used in the operation of the Miami Subs restaurant. Detailed specifications are provided for the products used, and franchisees must request approval for any deviations. We do not generally sell equipment, supplies or products to our Miami Subs franchisees. The franchise agreement requires franchisees to operate their restaurants in accordance with Miami Subs' requirements. We require our franchisees to use specified kitchen equipment to maximize consistency of food preparation. Ongoing advice and assistance is provided to franchisees in connection with the operation and management of each restaurant. Our area consultants are responsible for oversight of franchisees and periodically visit each restaurant. During such visits, the area consultant evaluates speed of preparation for menu items, quality of delivered product, cleanliness of restaurant facilities as well as evaluations of managers and other personnel. The area consultants also make announced and unannounced follow-up visits to ensure adherence to operational specifications.

During the past year, Miami Subs formed small groups of franchisees in its primary market of south Florida and initiated meetings with each of the groups of franchisees throughout the year. The purpose of these meetings was principally to improve communications in areas of marketing, promotions, new products, training and personnel motivation, operations and other areas affecting the operation and performance of the franchised restaurants.

Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 28, 2004, franchisees have opened two new Miami Subs franchised units and we terminated one Miami Subs franchise agreement for non-compliance.

Kenny Rogers Roasters Franchise Program

Kenny Rogers Roasters franchisees from the previous franchise system were required to execute amended and restated franchise agreements in order to preserve their franchised units. The amended and restated franchise agreement affirmed the franchisees responsibilities and offered reduced royalties to 3% of sales and waived advertising fund payments through March 31, 2001. These reduced rates have been extended until March 31, 2005. Future Kenny Rogers Roasters franchisees will have to execute our current standard franchise agreement which provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 4.5% of restaurant sales and the expenditure of 2.5% of restaurant sales on advertising. In some specific situations, we may offer alternatives to the standard franchise agreement. The initial term of the typical franchise agreement is 20 years, with up to a 20-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Franchisees will be approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement.

We expect to provide numerous restaurant opening support services to future Kenny Rogers Roasters franchisees. We expect to assist in and approve all Kenny Rogers Roasters site selections. Thereafter, we expect to provide architectural prototype plans suitable for Kenny Rogers Roasters restaurants of varying sizes and configurations, for use in food-court, in-line and free-standing locations. We will also assist in establishing building design specifications, reviewing construction compliance, equipping the restaurant and providing appropriate menus to coordinate with the prototype restaurant design and location selected by the Kenny Rogers Roasters franchisee. We do not typically sell food, equipment or supplies to our Kenny Rogers Roasters franchisees.

We plan to offer various management training courses for management personnel of future Kenny Rogers Roasters restaurants. At least one restaurant manager from each new restaurant or co-branded restaurant will have to successfully complete Kenny Rogers Roasters' mandated management training program. We also plan to offer additional operations and general management training courses to all Kenny Rogers Roasters restaurant managers and other managers with supervisory responsibilities. We provide standard manuals to each franchisee covering training and operations, products and equipment and local marketing programs. We also provide ongoing advice and assistance to franchisees.

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. We develop all standards and specifications, which are applied on a system-wide basis and monitor franchisee operations. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 28, 2004, no Kenny Rogers Roasters franchise agreements were terminated for non-compliance.

Franchisees who desire to open multiple units in a specific territory within the United States may generally enter into a standard area development agreement under which we would receive an advance fee based upon the number of proposed units which the franchisee is authorized to open. This advance would be credited against the franchise fee payable to us, as provided in its standard franchise agreement. In some circumstances, we may grant exclusive territorial rights in foreign countries for the development of Roasters units based upon compliance with a predetermined development schedule. During fiscal 2004, we renegotiated our agreement with Roasters Asia Pacific, our Master Developer in the Far East. Under this agreement, we will receive an annual fee instead of ongoing royalties and restaurant opening fees. The annual fee is scheduled to increase on each anniversary of the agreement.

Company-owned Nathan's Restaurant Operations

As of March 28, 2004, we operated seven company-owned Nathan's units, including one seasonal location, in New York. Company-owned units currently range in size from approximately 440 square feet to 10,000 square feet and are principally free-standing buildings. All restaurants, except our seasonal boardwalk location, have seating to accommodate between 60 and 350 customers. The restaurants are designed to appeal to all ages and are open seven days a week. We have established high standards for food quality, cleanliness and service at our restaurants and regularly monitor the operations of our restaurants to ensure adherence to these standards. Restaurant service areas, seating, signage and general decor are contemporary.

Three of these restaurants are older and significantly larger units which do not conform to contemporary designs. These units carry a broader selection of menu items than current designs. The items offered at our restaurants, other than the core menu, tend to have lower margins than the core menu. The older units require significantly higher levels of initial investment than current franchise designs and tend to operate at a lower sales/investment ratio. Consequently, we do not intend to replicate these older units in future company-owned units.

We entered into a food service lease agreement with Home Depot U.S.A., Inc. ("Home Depot") under which we leased space in certain Home Depot Improvement Centers to operate Nathan's restaurants. The term of each Home Depot agreement was five years from the date on which the restaurant opens, with one five year renewal option. In August 2002, Nathan's received written notice from Home Depot that Home Depot terminated eight License Agreements with Nathan's pursuant to which Nathan's operated Nathan's restaurants in certain Home Depot Improvement Centers. In accordance with the termination notices, Nathan's ceased its operations in those locations before February 20, 2003.

Company-owned Miami Subs Restaurant Operations

As of March 28, 2004, we did not operate any company-owned Miami Subs restaurants. During fiscal 2004, our four company-operated restaurants located in Southern Florida were franchised or transferred pursuant to Management Agreements. These four company-owned Miami Subs restaurants were free-standing restaurants offering drive-thru operations as well as dine-in seating. These restaurants ranged in size from approximately 2,500 square feet to 4,000 square feet with seating capacity for approximately 90 guests. At present, we do not intend to open any new company-operated Miami Subs restaurants.

Company-owned Kenny Rogers Roasters Restaurant Operations

In April 2002, we opened a new limited-menu Kenny Rogers food court type outlet, as part of a major remodeling of a large company-owned Nathan's facility in Oceanside, New York.

At March 28, 2004, we did not operate any Company-owned Kenny Rogers Roasters restaurants. At present, we do not intend to open any new company-operated Kenny Rogers Roasters restaurants.

International Development

As of March 28, 2004, our franchisees operated 99 units in 10 foreign countries having significant operations within Malaysia and the Philippines. The vast majority of foreign operations consist of Kenny Rogers Roasters units, although our Nathan's restaurant concept also has foreign franchise operations. During the current fiscal year, our international franchising program opened one Nathan's restaurant in Japan and 14 Kenny Rogers Roasters restaurants as follows: seven in the Philippines, three in Malaysia, three in China and one in Hong Kong.

During fiscal 2004, we executed a Master Franchise Agreement and a Distribution and Manufacturing Agreement for the Nathan's and Miami Subs rights in Kuwait and are currently in various stages of negotiations for development in other foreign countries. We may continue to grant exclusive territorial rights for franchising and for the manufacturing and distribution rights in foreign countries, which would require that an exclusivity fee be conveyed for these rights. We plan to develop the restaurant franchising system internationally through the use of master franchising agreements based upon individual or combined use of all three restaurant concepts and for the distribution of Nathan's products.

Location Summary

The following table shows the number of our company-owned and franchised or licensed units in operation at March 28, 2004 and their geographical distribution:

Domestic Locations	Company	Franchise or License(1)	Total
Alabama	-	1	1
Arizona	-	2	2
California	-	3	3
Connecticut	-	4	4
Delaware	-	1	1
Florida	-	89	89
Georgia	-	4	4
Indiana	-	1	1
Kentucky	-	1	1
Maryland	-	1	1
Massachusetts	-	3	3
Minnesota	-	2	2
Missouri	-	3	3
Nevada	-	4	4
New Jersey	-	42	42
New York	7	59	66
North Carolina	-	8	8
Ohio	-	1	1
Pennsylvania	-	3	3
South Carolina	-	2	2
Tennessee	-	1	1
Texas	-	1	1
Virginia	-	3	3
Domestic Subtotal	7	239	246
International Locations			
Canada	-	2	2
China	-	8	8
Cypress	-	1	1
Egypt	-	4	4
Hong Kong	-	2	2
Japan	-	1	1
Malaysia	-	31	31
Philippines	-	44	44
Singapore	-	4	4
United Arab Emirates	-	2	2
International Subtotal	-	99	99
Grand Total	7	338	345

(1) Amounts include six units operated by third parties pursuant to management agreements and does not include our Branded Product Program.

Branded Product Program

The "Branded Product Program" was launched during fiscal 1998. The program was expressly created to provide a new vehicle for the sale of Nathan's hot dogs and other proprietary items. Through the program, Nathan's provides qualified foodservice operators in a variety of venues the opportunity to capitalize on marketing Nathan's valued brand and selling Nathan's signature products. In conjunction with the program, the operators are granted a limited use of the Nathan's trademark, as well as Nathan's point of purchase materials. We sell products either directly to the end users, or to various foodservice distributors who provide the product to retailers.

As of March 2004, the Branded Product Program was comprised of approximately 3,300 points of sale. The program is unique in its flexibility and broad appeal. Hot dogs are offered in a variety of sizes and even come packaged with buns for vending machine use. The Canteen Corporation, America's largest vending company, uses Nathan's packaged hot dogs as part of its system. During fiscal 2004, Nathan's hot dogs were promoted in Auntie Ann's pretzel dogs in over 550 locations.

During the past two years the number of locations offering the Nathan's branded products have been significantly expanded. Today, Nathan's hot dogs are being offered in major hotel and casino operations such as Park Place Entertainment (Caesar's, Paris, Bally's, Flamingo, etc.), as well as by all of the Trump Casino operations in Atlantic City, New Jersey. National movie theaters, such as National Amusement and Muvico, also offer Nathan's at their concession stands. A wide variety of colleges and universities serve Nathan's hot dogs. Our products are also offered in the cafeteria at the House of Representatives and the Kennedy Space Center. Nathan's hot dog was named the official non-kosher hot dog of the New York Yankees for the 2001-2006 baseball seasons.

Of particular significance is our expansion into over 1,500 convenience stores with companies such as Exxon/Mobil. Additionally, Nathan's hot dogs are currently being offered at a variety of restaurant chains such as Johnny Rockets, Flamers and A&W Hot Dogs & More. Our hot dogs are currently being featured as a promotional pretzel dog in over 550 Auntie Ann's. As we expand the program, we continue to encounter new business opportunities. Nathan's is offered in retail environments, universities, entertainment centers, casinos, airport and travel plazas and on Amtrak Trains throughout the nation.

Expansion Program

We expect to continue opening new franchised units individually and on a co-branded basis, expanding product distribution through various means such as branded products and retail licensing arrangements, developing master franchising programs in foreign countries and continuing to introduce our restaurant concepts' signature products through co-branding efforts within our restaurant system.

We anticipate that we will open franchised units individually and develop new co-branded outlets. We may selectively consider opening new company-owned Nathan's units on an opportunistic basis. Existing company-owned units are located in the New York metropolitan area, where we have extensive experience in operating restaurants. We may consider new opportunities in both traditional and captive market settings.

We expect that our international development efforts will take on added dimensions as a result of the co-branding and product distribution opportunities that we now offer. We believe that in addition to restaurant franchising, there is the opportunity to further increase revenues by offering master development agreements to qualified persons or entities allowing for the operation of franchised restaurants, subfranchising restaurants to others, licensing the manufacture of our signature products, selling our signature products through supermarkets or other retail venues and allowing for the further development of our Branded Product Program. Qualified persons or entities must have satisfactory foodservice experience managing multiple units, the appropriate infrastructure and the necessary financial resources to support the business development.

We will also seek to continue the growth of our Branded Product Program through the addition of new points of sale primarily for Nathan's hot dogs. We believe that as consumers look to assure confidence in the quality of the food that they purchase, there is great potential to increase our sales by converting existing sales of non-branded products to

Nathan's branded products throughout the foodservice industry. In addition, certain Miami Subs, Kenny Rogers Roasters and additional Nathan's products may be included as part of our Branded Product Program.

During fiscal 2004, we test marketed the sale of Nathan's hot dogs on QVC. Based upon the results of this test, Nathan's was featured as a "Today's Special Value" on May 20, 2004. We intend to further develop this distribution channel throughout fiscal 2005.

Co-branding

We believe that there is a an opportunity for co-branding our restaurant concepts. In addition to the three restaurant concepts that we own, we also maintain certain co-branding rights for the use of the brand "Arthur Treacher's Fish & Chips" within the United States. Franchisees wishing to co-brand with our other brands receive a current Uniform Franchise Offering Circular ("UFOC") and execute a participation agreement as a rider to their franchise agreement.

During the fiscal year ended March 31, 2002, we began to implement our co-branding strategy within our existing restaurant system. "Host Restaurants" operate pursuant to their original franchise agreements. Existing franchisees executed an addendum to their agreement which defined the terms of our co-branding relationship. As part of our co-branding strategy for the Miami Subs franchise system, an entirely new marketing approach was developed to include the name "Miami Subs Plus". In January 2001, we began to implement our co-branding strategy by offering to the Miami Subs franchise community the ability to add Nathan's, Kenny Rogers Roasters and Arthur Treachers' signature products to their menus. Since fiscal 2002, we continued to co-brand within our system by adding the Kenny Rogers and Arthur Treacher's brands into Nathan's restaurants, and we intend to continue these co-branding efforts during fiscal 2005.

Currently, the Arthur Treacher's brand is being sold within 118 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 71 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 93 Miami Subs and Nathan's restaurants.

We believe that our diverse brand offerings compliment each other, which has enabled us to market franchises of co-branded units and continue co-branding within existing franchised units. The Nathan's and Miami Subs products are typically stronger during lunch while the Kenny Rogers Roasters and Arthur Treachers' products are generally stronger during dinner.

We continue to market co-branded units, generally, promoting Nathan's as the "Host Restaurant", within the United States and internationally. We believe that a multi- branded restaurant concept offering strong lunch and dinner day parts is very appealing to both consumers and potential franchisees. Such restaurants are designed to allow the operator to increase sales and leverage the cost of real estate and other fixed costs to provide superior investment returns as compared to many restaurants that are single branded.

Licensing Program

We license SFG, Inc.(successor to SMG, Inc.) to produce packaged hot dogs and other meat products according to Nathans' proprietary recipes and spice formulations, and to use "Nathan's Famous" and related trademarks to sell these products on an exclusive basis in the United States to supermarkets, club stores and groceries, thereby providing foods for off-premises consumption. The SFG agreement expires in 2014 and provides for royalties ranging between 3% to 5% of sales. The percentage varies based on sales volume, with escalating minimum royalties. Earned royalties of approximately $1,994,000 in fiscal 2004 exceeded the contractual minimum established under the agreement. We believe that the overall exposure of the brand and opportunity for consumers to enjoy the "Nathan's Famous" hot dog in their homes helps promote "Nathan's Famous" restaurant patronage. Supermarket sales of our hot dogs are concentrated in the New York metropolitan area, New England, Florida, California, the Mid-Atlantic states and certain other select markets. Royalties from SFG provided the majority of our fiscal 2004 retail license revenues.

During fiscal 2004, we licensed the sale of a Nathan's stove-top griddle to be marketed via televised infomercial and direct retail. Revenues derived under this agreement were $325,000 during the fiscal year. During fiscal 2005, we intend to develop and market additional Nathan's non-food items.

We license the manufacture of the proprietary spices and marinade which are used to produce Nathans' hot dogs and Kenny Rogers chicken. During fiscal 2004 and 2003, we earned $288,000 and $274,000, respectively, under these agreements.

During fiscal 2004, we entered into an agreement with ConAgra to test the production and retail distribution of Nathan's frozen french fries. The product was solely available at Shop Rite supermarkets in the New York area during fiscal 2004. Based on the success of this test, we expect to introduce Nathan's frozen french fries in approximately 1,200 Publix and Winn-Dixie supermarkets in Florida during the summer of 2004. Currently, discussions are underway to expand distribution in the New York metropolitan area.

During fiscal 2004, certain products were also distributed under licensing agreements with Gold Pure Food Product's Co., Inc. and Herman Pickle Packers, Inc. Both companies licensed the "Nathan's Famous" name for the manufacture and sale of various condiments including mustard, salsa, sauerkraut and pickles. These products have been distributed on a limited basis. Fees and royalties earned during fiscal 2004 have not been significant.

We have also executed a new license agreement for the manufacture and distribution of certain meat products which are not covered by the SFG license agreement and a separate license agreement with an internet marketing firm to sell Nathan's food and non-food items via the internet.

PROVISIONS AND SUPPLIES

Our proprietary hot dogs are produced by SFG, Inc. in accordance with Nathans' recipes, quality standards and proprietary spice formulations. John Morrell & Company, our licensee prior to SFG, has retained the right to produce Nathans' proprietary spice formulations. Kenny Rogers Roasters proprietary marinade and spice formulations are produced by McCormick and Co., Inc. Most other company provisions are purchased and obtained from multiple sources to prevent disruption in supply and to obtain competitive prices. We approve all products and product specifications. We negotiate directly with our suppliers on behalf of the entire system for all primary food ingredients and beverage products sold in the restaurants to ensure adequate supply of high quality items at competitive prices.

We utilize a unified source for the distribution needs of all of our restaurant concepts pursuant to a national food distribution contract with US Foodservice, Inc. This agreement enables our restaurant operators to order and receive deliveries for the majority of their food and paper products directly through this distributor. We believe that this arrangement is more efficient and cost effective than having multiple distributors.

MARKETING, PROMOTION AND ADVERTISING

We maintain advertising funds for local, regional and national advertising under the Nathan's Famous Systems, Inc. Franchise Agreement. Nathans' franchisees are generally required to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion. Franchisee contributions to the advertising fund for national marketing support are generally based upon the type of restaurant and its location. The difference, if any, between 2.5% and the contribution to the advertising fund must be expended on local programs approved by us as to form, content and method of dissemination.

Throughout fiscal 2004, Nathans' primary marketing emphasis continued to be focused on local store marketing campaigns featuring a value oriented strategy supplemented with promotional "Limited Time Offers." We anticipate that near-term marketing efforts for Nathan's will continue to emphasize local store marketing activities.

In addition, SFG promotes and advertises the "Nathan's Famous" packaged retail brand, particularly in the New York metropolitan area, California, the greater Boston area, Phoenix, Arizona and throughout Florida. We believe that the advertising by SFG increases brand recognition and thereby indirectly benefits Nathan's restaurants in the areas in which SFG conducts its campaigns. From time to time, we also participate with SFG in joint promotional activities.

We maintain a separate Production Advertising Fund for the creation and development of advertising, marketing, public relations, research and related programs for the Miami Subs system, as well as for other activities that are deemed appropriate. Franchisee and company-operated restaurants contribute .50% of each restaurants' gross sales to this fund. In addition, we maintain certain Regional Advertising Funds in which franchised and company-operated restaurants in the region contribute 1.75% of each restaurants' gross sales. If a restaurant is not located in an area where a regional advertising fund has been established, the franchisee or company-operated restaurant is required to spend at least 1.75% of the restaurants' gross sales for local advertising.

Miami Subs' advertising programs principally use radio and print, and carry the theme that Miami Subs offers a variety of menu selections at competitive, fast food prices. Miami Subs' radio advertisements are broadcast principally in markets where there are sufficient restaurants to benefit from such advertisements.

The physical facility of each Miami Subs restaurant represents a key component of Miami Subs' marketing strategy. The restaurants have well-lit exteriors featuring a distinctive roof design, an abundance of pastel neon lights and a lively interior featuring a tropical motif which we believe creates strong appeal during the day and night.

We maintain separate advertising funds on behalf of the Kenny Rogers Roasters franchise system for regional and national advertising under the NF Roasters Corp. Franchise Agreement. Franchisees who signed up to participate in the new system are required to contribute to the advertising funds .50% of restaurant sales for advertising and promotion for the year April 1, 1999 through March 31, 2000 and .75% of restaurant sales for advertising and promotion thereafter. However, contributions to the marketing fund for the years April 1, 2000 through March 31, 2005 have been waived. New franchisees will be expected to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion.

During the year, the Kenny Rogers Roasters' primary marketing focus has been toward utilizing promotional "Limited Time Offers". We anticipate that near-term marketing efforts for Kenny Rogers Roasters will continue to emphasize local store marketing activities.

GOVERNMENT REGULATION

We are subject to Federal Trade Commission ("FTC") regulation and several state laws which regulate the offer and sale of franchises. We are also subject to a number of state laws which regulate substantive aspects of the franchisor-franchisee relationship.

The FTC's "Trade Regulation Rule Concerning Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" requires us to disclose certain information to prospective franchisees. Fifteen states, including New York, also require similar disclosure. While the FTC rule does not require registration or filing of the disclosure document, fourteen states require franchisors to register the disclosure document (or obtain exemptions from that requirement) before offering or selling a franchise. The laws of seventeen other states require some form of registration under "business opportunity" laws, which sometimes apply to franchisors such as the franchisor of the Nathan's Famous, Miami Subs, and Kenny Rogers Roasters systems.

Laws that regulate one or another aspect of the franchisor-franchisee relationship presently exist in twenty-one states and the District of Columbia. These laws regulate the franchise relationship by, for example, requiring the franchisor to deal with its franchisees in good faith, prohibiting interference with the right of free association among franchisees, limiting the imposition of standards of performance on a franchisee, and regulating discrimination among franchisees in charges, royalties or fees. These laws have not precluded us from seeking franchisees in any given area. Although these laws may also restrict a franchisor in the termination of a franchise agreement by, for example, requiring "good cause" to exist as a basis for the termination, advance notice to the franchisee of the termination, an opportunity to cure a default and repurchase of inventory or other compensation, these provisions have not had a significant effect on our operations.

We are not aware of any pending franchise legislation in the U.S. that we believe is likely to significantly affect our operations. We believe that our operations comply substantially with the FTC rule and state franchise laws.

Each company-owned and franchised restaurant is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire and other departments. Difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new restaurant.

We are also subject to the Federal Fair Labor Standards Act, which governs minimum wages, overtime, working conditions and other matters. We are also subject to other federal and state environmental regulations, which have not had a material effect on our operations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. In addition, the federal Americans with Disabilities Act ("ADA") applies with respect to the design, construction and renovation of all restaurants in the United States. Compliance with the ADA's requirements could delay or prevent the development of, or renovations to, restaurants in certain locations, as well as add to the cost of such development or renovation.

Each of the companies which manufactures, supplies or sells our products is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety and other departments. Difficulties or failures by these companies in obtaining the required licenses or approvals could adversely effect our revenues which are generated from these companies.

Alcoholic beverage control regulations require each restaurant that sells such products to apply to a state authority and, in certain locations, county and municipal authorities, for a license or permit to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of customers and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. At March 28, 2004, we offered for sale beer or wine in two of our existing company-operated restaurants. Each of these restaurants have current alcoholic beverage licenses permitting the sale of these beverages. We have never had an alcoholic beverage license revoked.

We may be subject in certain states to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment which wrongfully served alcoholic beverages to such person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance and have never been named as a defendant in a lawsuit involving "dram-shop" statutes.

We believe that we operate in substantial compliance with applicable laws and regulations governing our operations.

EMPLOYEES

At March 28, 2004, we had 285 employees, of whom 53 were corporate management and administrative employees, 41 were restaurant managers and 191 were hourly full-time and part-time food-service employees. Food-service employees at four locations are currently represented by Local 1102 RWSDU UFCW AFL-CIO, CLC , Retail, Wholesale and Department store Union, under agreement which expires in June 2006. We consider our employee relations to be good and have not suffered any strike or work stoppage for more than 32 years.

We provide a training program for managers and assistant managers of our new company-owned and franchised restaurants. Hourly food workers are trained, on site, by managers and crew trainers following company practices and procedures outlined in our operating manuals.

TRADEMARKS

We hold trademark and service mark registrations for NATHAN'S FAMOUS, NATHAN'S and Design, NATHAN'S FAMOUS SINCE 1916 and SINCE 1916 NATHAN'S FAMOUS within the United States, with some of these marks holding corresponding foreign trademark and service mark registrations in more than 20 jurisdictions. We also hold various related marks for restaurant services and some food items.

We have registered the marks "MIAMI SUBS AND DESIGN" and "MIAMI SUBS GRILL AND DESIGN" with the United States Patent and Trademark Office. In addition, the marks have been registered in 53 foreign countries.

We have also filed the MIAMI SUBS PLUS trademark on February 15, 2001 and an Amendment to Alleged Use on May 21, 2001. The MIAMI SUBS PLUS application with the U.S. Patent and Trademark Office became effective on September 10, 2002.

We hold trademark and service mark registrations for "KENNY ROGERS ROASTERS", "KENNY ROGERS ROASTERS WOOD FIRE ROASTED CHICKEN & DESIGN", " DOWN RIGHT KICKIN BBQ CHICKEN", "EVERYONE ELSE IS JUST PLAIN CHICKEN", "THERE'S GOODNESS HERE", "YOU'RE GONNA LOVE THIS FOOD", "YOUR HEART IS IN THE RIGHT PLACE", "KENNY ROGERS TAKE IT HOME & DESIGN" and "KENNY ROGERS ROASTERS EXPRESS & DESIGN" within the United States. Some of these marks are covered by corresponding foreign trademark and service mark registrations in more than 80 jurisdictions. The "Kenny Rogers Roasters" marks are subject to the terms of an April 5, 1993 license from Mr. Kenny Rogers; that license agreement was assigned to us on April 1, 1999, when we purchased certain assets relating to the "Kenny Rogers Roasters" franchise system.

We believe that our trademarks and service marks provide significant value to us and are an important factor in the marketing of our products and services. We believe that we do not infringe on the trademarks or other intellectual property rights of any third parties.

COMPETITION

The fast food restaurant industry is highly competitive and can be significantly affected by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes, consumer concerns about the nutritional quality of quick-service food and increases in the number of, and particular locations of, competing restaurants. Factors such as inflation, increases in food, labor and energy costs, the availability and cost of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements and the availability of an adequate number of hourly paid employees can also adversely affect the fast food restaurant industry.

Our restaurants compete with numerous restaurants and drive-in units operating on both a national and local basis, including major national chains with greater financial and other resources than ours. Changes in pricing or other marketing strategies by these competitors can have an adverse impact on our sales, earnings and growth. We also compete with local restaurants and diners on the basis of menu diversity, food quality, price, size, site location and name recognition. There is also active competition for management personnel as well as suitable commercial sites for restaurants.

We believe that our emphasis on our signature products and the reputation of these products for taste and quality set us apart from our major competitors. As fast food companies have experienced flattening growth rates and declining average sales per restaurant, some of them have adopted "value pricing" and or deep discount strategies. These strategies could have the effect of drawing customers away from companies which do not engage in discount pricing and could also negatively impact the operating margins of competitors which attempt to match their competitors' price reductions. We have introduced our own form of "value pricing," selling combinations of different menu items for a total price lower than the usual sale price of the individual items and other forms of price sensitive promotions. We have expanded our value pricing strategy by offering multi-sized alternatives to our value priced combo meals. Extensive price discounting in the fast food industry could have an adverse effect on us.

We also compete with many franchisors of restaurants and other business concepts for the sale of franchises to qualified and financially capable franchisees and with numerous companies for the sale and distribution of our hot dogs and licensed packaged foods within supermarkets, primarily on the basis of reputation, flavor, quality and price.

AVAILABLE INFORMATION

We file reports with the SEC, including an annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and a proxy statement on Schedule 14A. The public may read and copy any materials filed by us with the SEC at the SEC's public reference room at 450 Fifth Street, NW, Washington D.C., 20549. The public may obtain information about the operation of the SEC's public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information about issuers such as us that file electronically with the SEC.

In addition, we make available free of charge on our website at http://www.nathansfamous.com our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statement on Schedule 14A and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) under the Exchange Act as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

ITEM 2. PROPERTIES

Our principal executive offices consist of approximately 9,700 sq. ft. of leased space in a modern, high-rise office building in Westbury, New York which expires in November 2009. We also own Miami Subs' regional office consisting of approximately 8,500 sq. ft. in Fort Lauderdale, Florida. We currently own two restaurant properties consisting of a 2,650 sq. ft. Nathan's restaurant, at 86th Street in Brooklyn, New York located on a 25,000 sq. ft. lot, and a 2,600 sq. ft. Miami Subs restaurant in Miami, FL located on a 25,000 sq. ft. lot. At March 28, 2004, other company-owned restaurants which were operating or developed were located in leased space with terms expiring as shown in the following table:

Nathan's Restaurants	Location	Current Lease Expiration Date	Approximate Square Footage
Coney Island	Brooklyn, NY	December 2007	10,000
Coney Island Boardwalk	Brooklyn, NY	October 2005	440
Long Beach Road	Oceanside, NY	May 2011	7,300
Central Park Avenue	Yonkers, NY	April 2010	10,000
Hempstead Turnpike (A)	Levittown, NY	September 2004	4,100
Broad Hollow Road	Farmingdale, NY	April 2008	2,200

A - This store will be closed due to its lease expiration.

Leases for Nathan's restaurants typically provide for a base rent plus real estate taxes, insurance and other expenses and, in some cases, provide for an additional percentage rent based on the restaurants' revenues. Three of the Nathan's leases provide for renewal options ranging between 10 and 20 years upon expiration of the current lease.

Properties leased by Miami Subs restaurants generally provide for an initial lease term of up to 20 years and renewal terms of five to 20 years. The leases generally provide for fixed rents plus adjustments based on changes in the consumer price index or percentage rentals on gross sales. Restaurants and other facilities are leased or sub-leased to franchisees or others on terms which are generally similar to the terms in our lease with the third-party landlord, except that in certain cases the rent has been increased. We remain liable for all lease costs when properties are sub-leased to franchisees or others. At March 28, 2004, we were the sublessor to 31 properties pursuant to these arrangements, nine of the restaurants leased/sub-leased to franchisees or others are located outside of Florida or the metropolitan New York area.

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,584,000 in fiscal 2004.

ITEM 3. LEGAL PROCEEDINGS

We and our subsidiaries are from time to time involved in ordinary and routine litigation. We are also involved in the following litigation:

Elizabeth B. Jackson and Joseph Jackson commenced an action, in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD Corporation, a Miami Subs franchisee ("the franchisee") claiming negligence in connection with a slip and fall which allegedly occurred on the premises of the franchisee for unspecified damages. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisee is obligated to indemnify Miami Subs and hold them harmless against claims asserted and procured an insurance policy which named Miami Subs as an additional insured. Miami Subs has denied any liability to Plaintiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted. The insurer has agreed to indemnify and defend Miami Subs and has assumed the defense of this action for Miami Subs.

Cristobal Cuesta, an employee of a Miami Subs franchised restaurant, commenced an action for unspecified damages in the United States District Court, Southern District of Florida in January 2004 against Miami Subs Corporation, Miami Subs USA, Inc, Nadia M. Investments, Inc. and DYV SYS International, Inc., both Miami Subs franchisees ("the franchisees"), claiming that he was not paid overtime when he worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to Plaintiff and defend against this action vigorously.

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of $1,000,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Nathan's Famous, Inc. intends to deny any liability and defend this action vigorously. Nathan's Famous, Inc. has submitted this claim to its insurance carrier with the expectation that it will be covered by its employment practices liability insurance policy.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK PRICES

Our common stock began trading on the over-the-counter market on February 26, 1993 and is quoted on the Nasdaq National Market System ("Nasdaq") under the symbol "NATH." The following table sets forth the high and low closing sales prices per share for the periods indicated:

	High	Low
Fiscal year ended March 28, 2004		
First quarter	$ 3.93	$ 3.38
Second quarter	4.87	3.48
Third quarter	5.36	4.22
Fourth quarter	5.99	5.00
Fiscal year ended March 30, 2003		
First quarter	$ 4.31	$ 3.35
Second quarter	4.00	3.07
Third quarter	3.82	3.04
Fourth quarter	3.70	3.50

At June 7, 2004 the closing price per share for our common stock, as reported by Nasdaq was $5.80.

DIVIDEND POLICY

We have not declared or paid a cash dividend on our common stock since our initial public offering and do not anticipate that we will pay any dividends in the foreseeable future. It is our Board of Directors' policy to retain all available funds to finance the development and growth of our business and to purchase stock pursuant to our stock buyback program. The payment of cash dividends in the future will be dependent upon our earnings and financial requirements.

SHAREHOLDERS

As of June 7, 2004, we had 840 shareholders of record, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers.

ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	(a) TOTAL NUMBER OF SHARES PURCHASED	(b) AVERAGE PRICE PAID PER SHARE	(c) TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS	(d) MAXIMUN NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLAN
DEC. 29, 2003 - JAN. 25, 2004	6,609	$5.0350	1,792,154	207,846
JAN. 26, 2004 - FEB. 22, 2004	11,100	$5.6974	1,803,254	196,746
FEB. 23, 2004 - MAR. 28, 2004	48,047	$5.7478	1,851,301	148,699
TOTAL	65,756	$5.6677	1,851,301	148,699

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to our stock repurchase program, we repurchased one million shares of common stock in open market transactions and a private transaction by September 29, 2002.

On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock.

There is no set time limit on the purchases.

EQUITY COMPENSATION PLAN INFORMATION

The following chart summarizes the options and warrants outstanding and available to be issued at March 28, 2004:

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS AND WARRANTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS AND WARRANTS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (c)
EQUITY COMPENSATION PLANS APPROVED BY SECURITY HOLDERS	1,297,436	$4.3220	348,500
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	650,000	$3.3344	-0-
TOTAL	1,947,436	$3.9923	348,500

Warrants

In November 1993, we granted to our Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of our common stock at an exercise price of $9.71 per share, representing 105% of the market price of our common stock on the date of grant, which exercise price was reduced on January 26, 1996 to $4.50 per share. The shares vested at a rate of 25% per annum commencing November 1994 and the warrant expired in November 2003.

On July 17, 1997, we granted to our Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of our common stock at an exercise price of $3.50 per share, representing the market price of our common stock on the date of grant. The shares vested at a rate of 25% per annum commencing July 17, 1998 and the warrant expires in July 2007.

1998 Stock Option Plan

In April 1998, our Board of Directors adopted the Nathan's Famous, Inc. 1998 Stock Option Plan, under which any of our directors, officers, employees or consultants, or those of a subsidiary or an affiliate, may be granted options to purchase an aggregate 500,000 shares of common stock. The 1998 Plan is to be administered by the Board of Directors of Nathan's; provided, however, that the Board may, in the exercise of its discretion, designate from among its members a compensation committee or a stock option committee consisting of no fewer than two "non-employee directors", as defined in the Securities Exchange Act of 1934. The Compensation Committee currently administers the 1998 Plan. Subject to the terms of the 1998 Plan, the Compensation Committee may determine and designate those directors, officers, employees and consultants who are to be granted stock options under the 1998 Plan and the number of shares to be subject to options and the term of the options to be granted, which term may not exceed ten years. The Board of Directors or the committee shall also, subject to the express provisions of the 1998 Plan, have authority to interpret the 1998 Plan and to prescribe, amend and rescind the rules and regulations relating to the 1998 Plan. Only non-qualified stock options may be granted under the terms of the 1998 Plan. The exercise price for the options granted under the 1998 Plan will be not less than the fair market value on the date of grant. The option price, as well as the number of shares subject to the option, shall be appropriately adjusted by the committee in the event of stock splits, stock dividends, recapitalizations, and other specified events involving a change in Nathan's capital.

On June 7, 2004, there were options outstanding to purchase an aggregate 500,000 shares of common stock with a weighted average exercise price of $3.3597, each of which has a term of ten years from its grant date are issued and outstanding. No options have lapsed since the inception of the 1998 Plan.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	FISCAL YEARS ENDED				
	MARCH 28, 2004	MARCH 30, 2003	MARCH 31, 2002 (1)	MARCH 25, 2001	MARCH 26 2000 (2)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Statement of Operations Data:					
Revenues:					
Sales	$20,765	$24,762	$27,425	$29,781	$25,511
Franchise fees and royalties	6,286	5,977	7,944	8,814	5,906
License royalties, investment and other income	3,628	3,033	4,106	3,561	2,343
Total revenues	30,679	33,772	39,475	42,156	33,760
Costs and Expenses:					
Cost of sales	14,775	16,592	18,269	19,146	16,370
Restaurant operating expenses	3,806	5,621	6,559	7,621	7,231

Depreciation and amortization	971	1,314	1,395	1,535	1,142
Amortization of intangible assets	261	278	888	839	716
General and administrative expenses	7,519	8,600	9,292	8,978	8,222
Interest expense	75	132	256	310	198
Impairment of long-lived assets	25	1,367	392	127	465
Impairment of notes receivable	208	1,425	185	151	840
Other expense (income)	45	232	(210)	462	427
Total costs and expenses	27,685	35,561	37,026	39,169	35,611
Income (loss) from continuing operations before income taxes	2,994	(1,789)	2,449	2,987	(1,851)
Provision (benefit) for income taxes	1,100	(283)	1,057	1,402	(382)
Income (loss) from continuing operations	1,894	(1,506)	1,392	1,585	(1,469)
Discontinued operations					
(Loss) income from discontinued operations before income taxes	--	(206)	(238)	35	331
(Benefit) provision for income taxes	--	(82)	(95)	14	132
(Loss) income from discontinued operations	--	(124)	(143)	21	199
Income (loss) before cumulative effect of accounting change	1,894	(1,630)	1,249	1,606	(1,270)
Cumulative effect of change in accounting principle, net of tax benefit of $854 in 2003	--	(12,338)	--	--	--
Net income (loss)	$ 1,894	($13,968)	$ 1,249	$ 1,606	(1,270)
Basic income (loss) per share:					
Income (loss) from continuing operations	$ 0.36	($ 0.25)	$ 0.20	$ 0.23	($ 0.25)
Income (loss) from discontinued operations	--	(0.03)	(0.02)	--	0.03
Cumulative effect of change in accounting principle	--	(2.06)	--	--	--
Net income (loss)	$ 0.36	($ 2.34)	$ 0.18	$ 0.23	($ 0.22)
Diluted income (loss) per share:					
Income (loss) from continuing operations	$ 0.33	($ 0.25)	$ 0.20	$ 0.23	($ 0.25)
Income (loss) from discontinued operations	--	(0.03)	(0.02)	--	0.03
Cumulative effect of change in accounting principle	--	(2.06)	--	--	--
Net income (loss)	$ 0.33	($ 2.34)	$ 0.18	$ 0.23	($ 0.22)
Dividends	--	--	--	--	--
Weighted average shares used in computing net income (loss) per share					
Basic	5,306	5,976	7,048	7,059	5,881
Diluted (3)	5,678	5,976	7,083	7,098	5,881

Balance Sheet Data at End of Fiscal Year:					
Working capital (deficit)	$ 9,185	$ 5,935	$ 9,565	$ 5,210	($ 322)
Total assets	27,584	25,886	48,745	51,826	48,583
Long term debt, net of current maturities	866	1,053	1,220	1,789	3,131
Stockholders' equity	$17,352	$16,383	$36,145	$35,031	$33,347
Selected Restaurant Operating Data:					
Company-owned Restaurant Sales (4)	$12,780	$21,955	$27,484	$30,946	$27,478
Number of Units Open at End of Fiscal Year:					
Company-owned	7	12	22	25	32
Franchised	338	343	364	386	415

Notes to Selected Financial Data

(1) Our fiscal year ends on the last Sunday in March which results in a 52 or 53 week year. Fiscal 2002 was a 53 week year.

(2) On April 1, 1999 Nathan's acquired the intellectual property of Roasters Corp. and Roasters Franchise Corp. On September 30, 1999, Nathan's completed the acquisition of Miami Subs Corp. by acquiring the remaining 70% of the outstanding common stock Nathan's did not already own.

(3) Common stock equivalents have been excluded from the computation for the years ended March 30, 2003 and March 26, 2000 as, due to the net loss, the impact of their inclusion would have been anti-dilutive.

(4) Company-owned restaurant sales represent sales from restaurants presented as continuing operations and discontinued operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

As used in this Report, the terms "we", "us", "our" and "Nathan's" mean Nathan's Famous, Inc. and its subsidiaries (unless the context indicates a different meaning).

During the fiscal year ended March 26, 2000, we completed two acquisitions that provided us with two highly recognized brands. On April 1, 1999, we became the franchisor of the Kenny Rogers Roasters restaurant system by acquiring the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. On September 30, 1999, we acquired the remaining 70% of the outstanding common stock of Miami Subs Corporation we did not already own. Our revenues are generated primarily from operating company-owned restaurants and franchising the Nathan's, Miami Subs and Kenny Rogers restaurant concepts, selling products under Nathan's Branded Product Program and licensing agreements for the sale of Nathan's products within supermarkets. The Branded Product Program enables foodservice operators to offer Nathans' hot dogs and other proprietary items for sale within their facilities. In conjunction with this program, foodservice operators are granted a limited use of the Nathans' trademark with respect to the sale of hot dogs and certain other proprietary food items and paper goods.

In addition to plans for expansion through franchising and our Branded Product Program, Nathan's continues to co-brand within its existing restaurant system. Currently, the Arthur Treacher's brand is being sold within 118 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 71 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 93 Miami Subs and Nathan's restaurants.

At March 31, 2002, Nathan's owned 22 company-operated restaurants. During the fiscal year ended March 30, 2003, Nathan's abandoned eight company-operated restaurants pursuant to early lease terminations which are presented as discontinued operations pursuant to SFAS No. 144 in the accompanying financial statements. Nathan's franchised two company-operated restaurants during the fiscal year ended March 30, 2003. During the fiscal year ended March 28, 2004, Nathan's has franchised three company-operated restaurants and entered into two management agreements with franchisees to operate two company-operated restaurants. These seven restaurants are presented as continuing operations in the accompanying financial statements.

At March 28, 2004, our combined system consisted of 338 franchised or licensed units, seven company-owned units and over 3,300 Nathan's Branded Product points of sale that feature Nathan's world famous all-beef hot dogs, located in 44 states, the District of Columbia and 12 foreign countries. At March 28, 2004, our company-owned restaurant system included seven Nathan's units, as compared to eight Nathan's units and four Miami Subs units at March 30, 2003.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements and the notes to our consolidated financial statements contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. We believe the following critical accounting policies involve additional management judgement due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset and liability amounts.

Impairment of Goodwill and Other Intangible Assets

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") requires that goodwill and intangible assets with indefinite lives will no longer be amortized but will be tested annually (or more frequently if impairment indicators arise) for impairment. The most significant assumptions which are used in this test are estimates of future cash flows. We typically use the same assumptions for this test as we use in the development of our business plans. If these assumptions differ significantly from actual results, additional impairment expenses may be required. In the first quarter of fiscal 2003, Nathan's adopted SFAS No. 142. In connection with the implementation of this new standard in fiscal 2003, Goodwill, Trademarks, Trade Names and Recipes were deemed to be impaired and their carrying value was written down by $13,192,000, or $12,338,000, net of income tax benefit of $854,000.

Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") requires management judgements regarding the future operating and disposition plans for underperforming assets, and estimates of expected realizable values for assets to be sold. The application of SFAS No. 144 has affected the amounts and timing of charges to operating results in recent years. We evaluate possible impairment of each restaurant individually, and record an impairment charge whenever we determine that impairment factors exist. We consider a history of restaurant operating losses to be the primary indicator of potential impairment of a restaurant's carrying value. During the fifty-two week period ended March 28, 2004, we identified one restaurant that had been impaired and recorded impairment charges of approximately $25,000. During the fifty-two weeks ended March 30, 2003, we identified seven restaurants that had been impaired and recorded impairment charges of approximately $1,367,000.

Impairment of Notes Receivable

Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," requires management judgements regarding the future collectibility of notes receivable and the underlying fair market value of collateral. We consider the following factors when evaluating a note for impairment: a) indications that the borrower is experiencing business problems, such as operating losses, marginal working capital, inadequate cash flow or business interruptions; b) whether the loan is secured by collateral that is not readily marketable; and/or c) whether the collateral is susceptible to deterioration in realizable value. When determining possible impairment, we also assess our future intention to extend certain leases beyond the minimum lease term and the debtor's ability to meet its obligation over the projected term. We have identified certain notes receivable that have been impaired and recorded impairment charges of approximately $208,000 relating to two notes and $1,425,000 relating to nine notes during the fifty-two weeks ended March 28, 2004 and March 30, 2003, respectively.

Revenue Recognition

Sales by Company-owned restaurants, which are typically paid in cash by the customer, are recognized upon the performance of services.

In connection with its franchising operations, the Company receives initial franchise fees, development fees, royalties, contributions to marketing funds, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are recorded as deferred revenue. Initial franchise fees are recognized as income when substantially all services to be performed by Nathan's and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations.

Development fees are nonrefundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled.

Nathan's recognizes franchise royalties when they are earned and deemed collectible. Franchise fees and royalties that are not deemed to be collectible are not recognized as revenue until paid by the franchisee. Revenue from sub-leasing properties to franchisees is recognized as income as the revenue is earned and becomes receivable and deemed collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated statements of operations.

Nathan's recognizes revenue from the Branded Product Program when it is determined by the manufacturer that the products have been delivered via third party common carrier to Nathans' customers. An accrual for the cost of the product to the Company is recorded simultaneously with the revenue.

In the normal course of business, we extend credit to franchisees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Notes and accounts receivable, net, as shown on our consolidated balance sheets are net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessment of collectibility based upon historical trends and an evaluation of the impact of current and projected economic conditions. In the event that the collectibility of a receivable is doubtful, the associated revenue is not recorded until the facts and circumstances change in accordance with Staff Accounting Bulletin SAB No. 101, "Revenue Recognition."

Self-insurance Liabilities

We are self-insured for portions of our general liability coverage. As part of our risk management strategy, our insurance programs include deductibles for each incident and in the aggregate for each policy year. As such, we accrue estimates of our ultimate self insurance costs throughout the policy year. These estimates have been developed based upon our historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, our annual self insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. During the fifty-two weeks ended March 28, 2004, we reversed approximately $268,000 of previously recorded insurance accruals for items that have been concluded without further payment. Also, during the fifty-two weeks ended March 30, 2003, we completed an evaluation of the outstanding claims and reserves in conjunction with our external risk manager and reversed $196,000 of previously recorded self insurance accruals for those claims on which our exposure had been settled.

RESULTS OF OPERATIONS

FISCAL YEAR END MARCH 28, 2004 COMPARED TO FISCAL YEAR ENDED MARCH 30, 2003

Revenues from Continuing Operations

Total sales from continuing operations decreased by 16.1% or $3,997,000 to $20,765,000 for the fifty-two weeks ended March 28, 2004 ("fiscal 2004") as compared to $24,762,000 for the fifty-two weeks ended March 30, 2003 ("fiscal 2003"). Company-owned restaurant sales decreased 30.1% or $5,631,000 to $12,780,000 from $18,411,000 primarily due to the operation of seven fewer company-owned restaurants as compared to the prior fiscal year. The reduction in company-owned restaurants is the result of our franchising or entering into management agreements for six restaurants and selling one restaurant. The financial impact associated with these seven restaurants lowered restaurant sales by $5,323,000 and improved restaurant operating profits by $43,000 versus fiscal 2003. Sales decreased 2.1% at our comparable company-owned restaurants (consisting of seven Nathan's restaurants, including one seasonal restaurant). Sales from the Branded Product Program increased by 20.5% to $7,651,000 in fiscal 2004 as compared to sales of $6,351,000 in fiscal 2003. This increase was due to higher sales volume and the impact of the price increases implemented during the second half of the fiscal year. Additionally, during fiscal 2004, Nathan's realized sales of $334,000 in connection with a test marketing program with QVC.

Franchise fees and royalties increased by $309,000 or 5.2% to $6,286,000 in fiscal 2004 compared to $5,977,000 in fiscal 2003. Franchise royalties increased by $483,000 or 9.0% to $5,835,000 in fiscal 2004 as compared to $5,352,000 in fiscal 2003. This increase is due primarily to the royalties earned from the new units that were opened or franchised during fiscal 2004 and the full year earnings from units opened during fiscal 2003, all of which have been recognized as income. Additionally, we realized an improvement in the amount of unrealizable royalties which were not previously recognized as revenues, primarily in the South Florida marketplace for the Miami Subs brand, as compared to fiscal 2003. Domestic franchise restaurant sales were virtually unchanged, decreasing by 0.3% to $161,332,000 in fiscal 2004 as compared to $161,740,000 in fiscal 2003. At March 28, 2004, 338 franchised or licensed restaurants were operating as compared to 343 franchised or licensed restaurants at March 30, 2003. At March 28, 2004, royalties from 35 domestic franchised locations have been deemed unrealizable as compared to 59 domestic franchised locations at March 30, 2003. The majority of this decline is attributable to the number of unsuccessful units that have closed. Franchise fee income derived from new openings and our co-branding activities was $428,000 in fiscal 2004 as compared to $418,000 in fiscal 2003. During fiscal 2004, 40 franchised units including the franchising of three company-owned restaurants and the conversion of three company-owned restaurants into management agreements were opened as compared to 24 franchise openings during fiscal 2003. During fiscal 2003, Nathan's also earned $207,000 in connection with the termination of two Master Development Agreements due to breaches by the franchisees.

License royalties were $2,970,000 in fiscal 2004 as compared to $2,585,000 in fiscal 2003. The majority of this increase is attributable to revenues from new license agreements for the sale of Nathan's products, primarily the Nathan's "Griddle" which was marketed via "infomercial" throughout the year and by retailers during the Christmas 2003 season.

Interest income was $199,000 in fiscal 2004 versus $292,000 in fiscal 2003 due primarily to lower interest income earned on notes receivable which have been impaired during the fiscal years ended March 28, 2004 and March 30, 2003.

Investment and other income increased by $303,000 to $459,000 in fiscal 2004 versus $156,000 in fiscal 2003. During fiscal 2004, Nathan's recognized net gains of $206,000 primarily in connection with the sale of two company-owned restaurants to franchisees and additional miscellaneous revenue of $31,000 which was partially offset by an increased subleasing loss of $69,000. In fiscal 2003, Nathan's realized a gain of $135,000 in connection with the early termination of a Branded Product Program sales agreement. During fiscal 2003, Nathans' investment loss of approximately $244,000 was primarily attributable to our investment in limited partnership, which was liquidated during fiscal 2003.

Costs and Expenses from Continuing Operations

Cost of sales from continuing operations decreased by $1,817,000 to $14,775,000 in fiscal 2004 from $16,592,000 in fiscal 2003. During fiscal 2004, restaurant cost of sales were lower than fiscal 2003 by approximately $3,605,000. Cost of sales were lower by approximately $3,520,000 as a result of operating fewer company-owned restaurants during fiscal 2004. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 61.2% in fiscal 2004 as compared to 60.2% in fiscal 2003 due primarily to higher labor and related costs. Higher costs of approximately $1,480,000 were incurred primarily in connection with the growth of our Branded Product Program and higher commodity costs during fiscal 2004. Commodity costs of our beef products were higher during fiscal 2004 than fiscal 2003. This increase has been caused by reductions in the supply of beef primarily due to: 1) the prohibition since May 2003 on importing of Canadian beef livestock into the U.S. 2) the decrease in imports of Australian beef due to local drought conditions and 3) the export of U.S. beef had increased through December 23, 2003 when the first case of bovine spongiform encephalopathy, otherwise known as BSE in the United States was reported. Although the export of beef by the United States was significantly reduced as a result of this finding, Nathan's had not realized a reduction in the cost of beef during the fourth quarter of fiscal 2004. In response to these higher costs, Nathan's had increased menu prices in its company-operated restaurants by approximately 2.0% and increased prices within its Branded Product Program to offset some of the margin pressure. Additionally, Nathan's also incurred cost of sales of $327,000 in fiscal 2004 in connection with the QVC test marketing program.

Restaurant operating expenses decreased by $1,815,000 to $3,806,000 in fiscal 2004 from $5,621,000 in fiscal 2003. Restaurant operating costs were lower in fiscal 2004 by approximately $1,847,000, as compared to fiscal 2003 as a result of operating seven fewer restaurants.

Depreciation and amortization decreased by $343,000 to $971,000 in fiscal 2004 from $1,314,000 in fiscal 2003. Depreciation expense was lower by approximately $255,000 as a result of operating fewer company-owned restaurants and the effect of the impairment charges on long-lived assets recorded during fiscal 2003.

Amortization of intangibles was $261,000 in fiscal 2004 as compared to $278,000 in fiscal 2003.

General and administrative expenses decreased by $1,081,000 to $7,519,000 in fiscal 2004 as compared to $8,600,000 in fiscal 2003. The decrease in general and administrative expenses was due primarily to lower personnel and incentive compensation expense of approximately $411,000 resulting from the implementation of an expense reduction plan (primarily in connection with the reduction in the number of company-operated restaurants), lower professional fees of $247,000, lower bad debts expense of approximately $99,000, lower un-leased property expense of approximately $86,000 and the expense reversal from the settlement of a disputed claim of approximately $50,000.

Interest expense was $75,000 during fiscal 2004 as compared to $132,000 during fiscal 2003. The reduction in interest expense relates primarily to the repayment of outstanding loans between the two periods.

Impairment charge on notes receivable of $208,000 during fiscal 2004 represents the write-down of two non-performing notes receivable and $1,425,000 during fiscal 2003 represents the write-down relating to nine notes receivable.

Impairment charge on long-lived assets of $25,000 during fiscal 2004 represents the write-down of one restaurant scheduled to close in September 2004 due to its lease expiration and $1,367,000 during fiscal 2003 representing the write-down relating to seven under-performing restaurants.

Other expense of $45,000 in fiscal 2004 represents lease reserves relating to two vacant properties. Other expense of $232,000 in fiscal 2003 represents lease reserves relating to four vacant properties.

Provision (Benefit) for Income Taxes from Continuing Operations

In fiscal 2004, the income tax provision on income from continuing operations was $1,100,000 or 36.7% of income from continuing operations as compared to the income tax (benefit) from continuing operations of ($283,000) or 15.8% of loss from continuing operations before income taxes in fiscal 2003. The effective income tax rate was positively impacted in fiscal 2004 as a result of a tax refund received of $62,000 as a result of filing an amended fiscal 2002 tax return. The effective income tax rate was lower in the fiscal 2003 period due in part to the adoption of SFAS No. 142 which requires that goodwill no longer be amortized. Such goodwill amortization was not tax deductible by Nathan's which increased the effective tax rate in prior years.

Discontinued operations

No restaurants have been accounted for as discontinued operations during fiscal 2004. Fiscal 2003 included the results of operations of eight company-owned restaurants, all of which were abandoned by March 30, 2003, including seven which were abandoned in connection with the Home Depot early lease terminations. Revenues generated by these eight restaurants were $3,543,000 during fiscal 2003. Loss before income taxes from these restaurants was $206,000 during fiscal 2003. The fiscal 2003 loss before tax included $428,000 of additional depreciation expense due to a change in the estimated useful lives of the restaurants operating within Home Depot Improvement Centers for which Nathan's received early lease termination notifications during the second quarter of fiscal 2003.

Cumulative effect of change in accounting principle

In the first quarter fiscal 2003, we adopted SFAS No. 142, "Accounting for Goodwill and Other Intangibles." In connection with the implementation of this new standard, Goodwill, Trademarks, Trade Names and Recipes were deemed to be impaired and their carrying value was written down by $13,192,000, or $12,338,000, net of tax.

FISCAL YEAR ENDED MARCH 30, 2003 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2002

Revenues from Continuing Operations

Total sales from continuing operations decreased by 9.7% or $2,663,000 to $24,762,000 for the fifty-two weeks ended March 30, 2003 ("fiscal 2003 period") as compared to $27,425,000 for the fifty-three weeks ended March 31, 2002 ("fiscal 2002 period"). Sales from the Branded Product Program increased by 32.4% to $6,351,000 for the fiscal 2003 period as compared to sales of $4,797,000 in the fiscal 2002 period. Company-owned restaurant sales decreased 18.6% or $4,217,000 to $18,411,000 from $22,628,000 primarily due to the operation of five fewer company-owned stores as compared to the prior fiscal year and an overall 5.3% sales decrease at our comparable restaurants (consisting of eight Nathan's and four Miami Subs restaurants). The reduction in company-owned stores is the result of our franchising three restaurants and selling two restaurants, one of which was to the State of Florida pursuant to an order of condemnation. The financial impact associated with these five restaurants lowered restaurant sales by $3,294,000 and improved restaurant operating profits by $52,000 versus the fiscal 2002 period. During the fiscal 2002 period, approximately $341,000 in restaurant sales were generated during the additional week of operations.

Franchise fees and royalties decreased by 24.8% or $1,967,000 to $5,977,000 in the fiscal 2003 period compared to $7,944,000 in the fiscal 2002 period. Franchise royalties decreased by $1,409,000 or 20.8% to $5,352,000 in the fiscal 2003 period as compared to $6,761,000 in the fiscal 2002 period. The majority of this decline is due to the decrease in the amount of franchise sales, primarily within the South Florida marketplace for the Miami Subs brand, causing an increase in the amount of royalties deemed unrealizable during the fiscal 2003 period as compared to the fiscal 2002 period. Royalty income was not recorded from 59 domestic franchised locations during the fiscal 2003 period as compared to 48 domestic franchised locations during the fiscal 2002 period as a result of determining that collectibility of the royalties was not reasonably assured. Domestic franchise restaurant sales decreased by 12.8% to $161,740,000 in the fiscal 2003 period as compared to $185,389,000 in the fiscal 2002 period. At March 30, 2003, 343 franchised or licensed restaurants were operating as compared to 364 franchised or licensed restaurants at March 31, 2002. Franchise fee income derived from new openings, co-branding activities and forfeitures was $625,000 in the fiscal 2003 period as compared to $1,183,000 in the fiscal 2002 period. This decrease was attributable to lower franchise fees earned of $247,000, the reduction in co-branding fees earned of $210,000 and lower forfeitures of $101,000 between the two periods. Revenues from new unit openings were lower during the fiscal 2003 period as compared to the fiscal 2002 period although 24 new franchised restaurants were opened, including our first Nathan's unit in China and nine Kenny Rogers Roasters units in foreign countries, as compared to 18 new franchised restaurants during the fiscal 2002 period. Franchise fees attributable to new Kenny Rogers Roasters restaurants is recognized upon payment by the franchisee, which payments have not been received. During the fiscal 2002 period, the one-time co-branding initiative was substantially concluded. During the fiscal 2003 period, we earned $207,000 in connection with the termination of two Master Development Agreements in accordance with their terms due to non-compliance by the franchisees as compared to $308,000 during the fiscal 2002 period in connection with forfeited area development fees.

License royalties were $2,585,000 in the fiscal 2003 period as compared to $2,038,000 in the fiscal 2002 period. This increase is attributable to higher royalties earned from sales made by SFG, Inc., Nathans' licensee for the sale of Nathan's frankfurters within supermarkets and club stores, the manufacture of certain proprietary spices and seasonings, the sale of condiments sold under the Nathan's brand and royalties earned under a new license agreement in connection with the Branded Product Program.

Interest income decreased by $208,000 to $292,000 in the fiscal 2003 period versus $500,000 in the fiscal 2002 period due to lower interest income on its investments in marketable securities and its notes receivable.

Investment and other income decreased by $1,412,000 to $156,000 in the fiscal 2003 period versus $1,568,000 in the fiscal 2002 period. During the fiscal 2003 period, Nathans' investment loss was approximately $206,000 greater than in the fiscal 2002 period due primarily to differences in performance of the financial markets during the time that Nathan's maintained its investments in "trading securities", which "trading securities" were substantially liquidated in October 2002, as compared to being held for the entire fiscal 2002 period. Nathan's loss from sub-leasing was approximately $28,000 more than in the fiscal 2002 period. In the fiscal 2003 period, Nathan's realized a gain of $135,000 in connection with the early termination of a Branded Product Program sales agreement. During the fiscal 2003 period, Nathan's earned approximately $126,000 less miscellaneous income than in the fiscal 2002 period principally in connection with its ice cream sales. During the fiscal 2002 period, Nathan's recognized net gains of $1,226,000 which included $850,000 from the successful appeal of a condemnation award from the State of Florida and gains primarily in connection with the sale of two company-owned restaurants and one non-restaurant property.

Costs and Expenses from Continuing Operations

Cost of sales from continuing operations decreased by $1,677,000 to $16,592,000 in the fiscal 2003 period from $18,269,000 in the fiscal 2002 period. During the fiscal 2003 period, restaurant cost of sales were lower than the fiscal 2002 period by approximately $2,661,000. Cost of sales were lower by approximately $2,237,000 as a result of operating fewer company-owned restaurants. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 62.6% in the fiscal 2003 period as compared to 61.5% in the fiscal 2002 period due primarily to higher labor costs. Higher product and other direct costs of approximately $984,000 were incurred in connection with the growth of our Branded Product Program which was partially offset by lower commodity costs during the fiscal 2003 period. During the fiscal 2003 period, commodity prices of our primary meat products were in line with historical norms as compared to being at their highest levels in recent years through most of the twenty-six weeks ended September 23, 2001.

Restaurant operating expenses from continuing operations decreased by $938,000 to $5,621,000 in the fiscal 2003 period from $6,559,000 in the fiscal 2002 period. Restaurant operating costs were lower in the fiscal 2003 period by approximately $1,105,000, as compared to the fiscal 2002 period as a result of operating fewer restaurants. The reduction in restaurant operating expenses from operating fewer restaurants was partially offset by higher occupancy and current insurance costs net of lower marketing and utility costs during the fiscal 2003 period.

Depreciation and amortization from continuing operations decreased by $81,000 to $1,314,000 in the fiscal 2003 period from $1,395,000 in the fiscal 2002 period due to our additional capital spending.

Amortization of intangibles decreased by $610,000 to $278,000 in the fiscal 2003 period from $888,000 in the fiscal 2002 period. Amortization of intangibles decreased as a result of the adoption of SFAS No. 142 " Goodwill and Other Intangible Assets" in the first quarter of fiscal 2003. Pursuant to SFAS No. 142, we have discontinued the amortization of Goodwill, Trademarks, Trade Names and Recipes.

General and administrative expenses decreased by $692,000 to $8,600,000 in the fiscal 2003 period as compared to $9,292,000 in the fiscal 2002 period. The decrease in general and administrative expenses was due primarily to lower litigation expense of approximately $450,000, lower bad debts expense of approximately $185,000, lower compensation and related expenses of approximately $106,000 and lower travel expenses of $106,000 which were partly offset by higher insurance costs of approximately $172,000.

Interest expense was $132,000 during the fiscal 2003 period as compared to $256,000 during the fiscal 2002 period. The reduction in interest expense relates primarily to the repayment of outstanding bank debt between the two periods.

Impairment charge on long-lived assets of $1,367,000 during the fiscal 2003 period represents the write-down relating to seven under-performing stores, three of which are expected to continue operating.

Impairment charge on notes receivable of $1,425,000 during the fiscal 2003 period relates to the write-down of nine notes receivable.

Other expense in the fiscal 2003 period represents lease reserves relating to four vacant properties. Other income of $210,000 in the fiscal 2002 period represents the reversal of a previously recorded litigation provision for an award that was settled, upon appeal, in our favor.

(Benefit) Provision for Income Taxes from Continuing Operations

In the fiscal 2003 period, the income tax benefit from continuing operations was $283,000 or 15.8% of loss from continuing operations before income taxes as compared to a provision for income taxes of $1,057,000 or 43.2% of income from continuing operations before income taxes in the fiscal 2002 period. The effective income tax rate was lower in the fiscal 2003 period due in part to the adoption of SFAS No. 142 which requires that goodwill no longer be amortized. Such goodwill amortization was not tax deductible by Nathan's which increased the effective tax rate in prior years.

Discontinued Operations

During the fiscal 2003 period, discontinued operations included eight Company-owned restaurants, all of which were abandoned, including seven which were abandoned in connection with the Home Depot early lease terminations. Revenues generated by these eight restaurants were $3,543,000 during the fiscal 2003 period as compared to $4,857,000 during the fiscal 2002 period. Losses before income taxes from these restaurants were $206,000 during the fiscal 2003 period as compared to $238,000 during the fiscal 2002 period. The fiscal 2003 loss before tax included $428,000 of additional depreciation expense due to a change in the estimated useful lives of the restaurants operating within Home Depot Improvement Centers for which Nathan's received early lease termination notifications during the second quarter fiscal 2003 period.

Cumulative Effect of Change in Accounting Principle

In the first quarter fiscal 2003 period, Nathan's adopted SFAS No. 142, "Goodwill and Other Intangibles." In connection with the implementation of this new standard, Goodwill, Trademarks, Trade Names and Recipes were deemed to be impaired and their carrying value was written down by $13,192,000, or $12,338,000, net of tax.

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 28, 2004 aggregated $3,449,000, increasing by $2,034,000 during fiscal 2004. At March 28, 2004, marketable securities increased by $2,854,000 from March 30, 2003 to $7,477,000 and net working capital increased to $9,185,000 from $5,935,000 at March 30, 2003.

Cash provided by operations was $5,276,000 in fiscal 2004 as compared to $2,296,000 in fiscal 2003. The fiscal 2004 increase resulted primarily from higher operating profits. Additionally, Nathan's applied its expected Net Operating Loss from the fiscal year ended March 2003 against its estimated tax payments for its fiscal year ending March 28, 2004 reducing current year Federal tax payments by approximately $668,000.

During fiscal 2004, Nathan's received repayments on notes receivable of $797,000 and proceeds from the sale of three restaurants and other fixed assets of $489,000. We incurred capital expenditures of $449,000 during fiscal 2004.

Nathan's continued to repurchase shares of common stock pursuant to its Stock Repurchase Program having repurchased 210,063 shares of common stock at a total cost of $928,000. We also repaid notes payable and obligations under capital leases in the amount of $187,000 during fiscal 2004.

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to our stock repurchase program, we repurchased one million shares of common stock in open market transactions and a private transaction at a total cost of $3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock. Through March 28, 2004, Nathan's purchased 851,301 shares of common stock at a cost of approximately $3,251,000. Nathan's has not purchased any additional shares of common stock after March 28, 2004. To date, Nathan's has purchased a total of 1,851,301 shares of common stock at a cost of approximately $6,921,000. Nathan's expects to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

We expect that we will make additional investments in certain existing restaurants and to support the growth of the Branded Product Program in the future and to fund those investments from our operating cash flow. We may further incur additional capital expenditures in connection with the replacement of the restaurant whose lease will expire in September 2004.

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. We have terminated leases on 17 of those properties and sold the remaining property to a non-franchisee. Since acquiring Miami Subs, we have accrued approximately $1,461,000 and made payments of approximately $1,282,000 for lease obligations and termination costs, as part of the acquisition, for units having total future minimum lease obligations of $8,298,000 that had remaining lease terms of one year up to approximately 17 years. We may incur future cash payments, consisting primarily of future lease payments, including costs and expenses associated with terminating additional leases, that were not part of our divestiture plan.

At June 7, 2004, there were 30 properties that we either owned or leased from third parties which we leased or sublet to franchisees, operating managers and non-franchisees. We remain contingently liable for all costs associated with these properties including: rent, property taxes and insurance. Additionally, we guaranteed financing on behalf of certain franchisees with two third-party lenders. Our maximum obligation for loans funded by the lenders as of March 28, 2004 was approximately $566,000.

The following schedules represent Nathan's cash contractual obligations and the expiration of other contractual commitments by maturity (in thousands):

Cash Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3-5 Years	After 5 Years
			Payments Due by Period		
Long-Term Debt	$ 986	$ 167	$ 333	$ 333	$ 153
Capital Lease Obligations	53	6	16	19	12
Employment Agreements	494	494	-	-	-
Operating Leases	19,440	3,871	7,167	4,759	3,643
Gross Cash Contractual Obligations	20,973	4,538	7,516	5,111	3,808
Sublease Income	11,154	2,075	3,885	2,682	2,512
Net Cash Contractual Obligations	$ 9,819	$ 2,463	$ 3,631	$ 2,429	$ 1,296

Other Contractual Commitments	Total Amounts Committed	1 Year	1 - 3 Years	3-5 Years	After 5 Years
		Amount of Commitment Expiration Per Period Less than			
Loan Guarantees	$ 566	$ 213	$ 347	$ 6	-
Total Commercial Commitments	$ 566	$ 213	$ 347	$ 6	-

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital to finance our operations for at least the next twelve months. We currently maintain a $5,000,000 uncommitted bank line of credit and have never borrowed any funds under any lines of credit.

Seasonality

Our business is affected by seasonal fluctuations, the effects of weather and economic conditions. Historically, restaurant sales from Company-owned restaurants, franchised restaurants from which royalties are earned and earnings have been highest during our first two fiscal quarters with the fourth fiscal quarter representing the slowest period. This seasonality is primarily attributable to weather conditions in our marketplace for our company-owned Nathan's stores, which is principally the New York metropolitan area. Miami Subs' restaurant sales have historically been strongest during the period March through August, which approximates our first and second quarters, as a result of a heavy concentration of restaurants being located in Florida. Notwithstanding the continued growth of our Branded Product Program and the changing composition of our restaurants, we believe that future revenues and profits will continue to be highest during our first two fiscal quarters with the fourth fiscal quarter representing the slowest period.

Inflationary Impact

During the past three years, our commodity costs for beef have fluctuated significantly while other costs have remained relatively stable. As such, we believe that general inflation has not materially impacted earnings during that period of time. However, during the first half of the fiscal 2002 period, commodity prices of our primary beef products reached their highest levels in many years. Throughout fiscal 2003, these costs were in line with historical norms. During fiscal 2004, the price of our beef products has risen dramatically over historical norms and particularly as compared to fiscal 2003. We also experienced increased costs for utilities and insurance during the fiscal 2002, 2003 and 2004 periods. In 2002 various Federal and New York State legislators proposed changes to the minimum wage requirements, however, none of the proposals were enacted. Although we only operate seven Company-owned restaurants, we believe that significant increases in the minimum wage could have a significant financial impact on our financial results. Prolonged increases in labor, food and other operating expenses could adversely affect our operations and those of the restaurant industry and we might have to reconsider our pricing strategy as a means to offset reduced operating margins.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk

CASH AND CASH EQUIVALENTS

We have historically invested our cash and cash equivalents in short term, fixed rate, highly rated and highly liquid instruments which are reinvested when they mature throughout the year. Although our existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of

March 28, 2004, Nathans' cash and cash equivalents aggregated $3,369,000. Earnings on these cash and cash equivalents would increase or decrease by approximately $8,400 per annum for each .25% change in interest rates.

MARKETABLE INVESTMENT SECURITIES

We have invested our marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments. These investments are subject to fluctuations in interest rates. As of March 28, 2004, the market value of Nathans' marketable investment securities aggregated $7,477,000. Interest income on these marketable investment securities would increase or decrease by approximately $18,700 per annum for each .25% change in interest rates. The following chart presents the hypothetical changes in the fair value of the marketable investment securities held at March 28, 2004 that are sensitive to interest rate fluctuations (in thousands):

	Valuation of securities Given an interest rate Decrease of X Basis points			Fair	Valuation of securities Given an interest rate Increase of X Basis points		
	(150BPS)	(100BPS)	(50BPS)	Value	+50BPS	+100BPS	+150BPS
Municipal notes and bonds	$7,845	$7,716	$7,596	$7,477	$7,361	$7,248	$7,138

BORROWINGS

The interest rate on our borrowings are generally determined based upon the prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. We do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings. At March 28, 2004, total outstanding debt, including capital leases, aggregated $1,039,000 of which $986,000 is at risk due to changes in interest rates. The current interest rate is 4.50% per annum and will adjust in January 2006 and 2009 to prime plus .25%. Nathan's also maintains a $5,000,000 credit line which bears interest at the prime rate plus 1.00% (5.00% at May 7, 2004). Nathan's has never borrowed any funds under its line of credit. Accordingly, Nathan's does not believe that fluctuations in interest rates would have a material impact on its financial results.

COMMODITY COSTS

The cost of commodities are subject to market fluctuation. We have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, our future commodities purchases are subject to changes in the prices of such commodities. Generally, we attempt to pass through permanent increases in our commodity prices to our customers, thereby reducing the impact of long-term increases on our financial results. During the fifty-two week period ended March 28, 2004, the price of our beef products has risen dramatically over historical norms and particularly as compared to last year. This increase has been caused by reductions in the supply of beef primarily due to: 1) the prohibition since May 2003 on importing of Canadian beef livestock into the U.S. 2) the decrease in imports of Australian beef due to local drought conditions and 3) the export of U.S. beef had increased through December 23, 2003 when the first case of bovine spongiform encephalopathy, otherwise known as BSE in the United States was reported. Nathan's has not experienced a softening in the price of beef since December 23, 2003. Although the export of beef by the United States was significantly reduced as a result of this finding, Nathan's had not realized a reduction in the cost of beef during the fourth quarter of fiscal 2004. As a result, Nathan's cost of its hot dogs was approximately 14.6% higher during the fifty-two weeks ended March 28, 2004 than the fifty-two weeks ended March 30, 2003. Nathan's had already increased menu prices in its company-operated restaurants by approximately 2.0% and had increased prices within its Branded Product Program to offset some of the margin pressure. A short term increase or decrease of 10% in the cost of our food and paper products for the entire fifty-two weeks ended March 28, 2004 would have increased or decreased cost of sales by approximately $983,000.

On December 23, 2003, the United States Department of Agriculture ("USDA") announced that the first case of bovine spongiform encephalopathy, otherwise known as BSE, or mad-cow disease was discovered in the United States in a single cow in the State of Washington. Nathan's has obtained written assurances from its beef processors that Nathan's products have not come from the meat processing plants associated with the production of products having to do with this incident. To date, Nathan's demand for its products continues to be strong. Nathan's has not experienced any material financial impact in connection with this incident.

FOREIGN CURRENCIES

Foreign franchisees generally conduct business with us and make payments in United States dollars, reducing the risks inherent with changes in the values of foreign currencies. As a result, we have not purchased future contracts, options or other instruments to hedge against changes in values of foreign currencies and we do not believe fluctuations in the value of foreign currencies would have a material impact on our financial results.

FORWARD LOOKING STATEMENT

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our current judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: the future effects of the first case of bovine spongiform encephalopathy, BSE, identified in the United States on December 23, 2003; economic, weather, legislative and business conditions; the collectibility of receivables; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; the ability to continue to attract franchisees; the ability to purchase our primary food and paper products at reasonable prices; no material increases in the minimum wage; and our ability to attract competent restaurant and managerial personnel. We generally identify forward-looking statements with the words "believe," "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. Nathan's has evaluated the effect of adoption on its financial position and results of operations, and has not had a material impact on the financial position and results of operations of Nathan's.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. Additionally, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. In addition, SFAS No. 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. SFAS No. 145 has not had a material impact on the financial position and results of operations of Nathan's.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The adoption of SFAS No. 149 has not had a material impact on the financial position and results of operations of Nathan's.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. The adoption of SFAS No. 150 has not had a material impact on the financial position and results of operations of Nathan's.

In December 2003, the FASB issued a revision to FASB Interpretation No. 46, " Consolidation of Variable Interest Entities, an Interpretation of ARB No.51" ("FIN No. 46(R)"). FIN No. 46(R) clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN No. 46(R) requires the consolidation of these entities, known as variable interest entities, by the primary beneficiary of the entity. The primary beneficiary is the entity , if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

The revisions of FIN No. 46(R) (a) clarified some requirements of the original FIN No. 46, which had been issued in January 2003, (b) simplified some of the implementation problems, and (c) added new scope exceptions. FIN No. 46R delayed the effective date of the FIN No. 46(R) for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of FIN No. 46(R) to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN No. 46(R) by the end of the first reporting period ending after December 15, 2003.

FIN No. 46(R) added several new scope exceptions, including one which states that companies are not required to apply the provisions to an entity that meets the criteria to be considered a "business" as defined in FIN No. 46(R) unless one or more of four named conditions exist.

The Company has no equity ownership interests in its franchisees, and has not consolidated any of these entities in the Company's financial statements. The Company will continue to monitor developments regarding the Interpretation as they occur. The Company adopted the provisions of FIN No. 46(R) in its fourth fiscal quarter of 2004.

The Company does not provide more than half of the equity subordinated debt or other subordinated financial support to any franchise entity. The Company has further concluded that the franchise entities were not designed such that substantially all of their activities either involve or are conducted on behalf of Nathan's. As such, the Company has not consolidated any franchised entity in the financial statements. If, at some future date, Nathan's does provide more than half of the subordinated financial support to a franchise entity, consolidation would not be automatic. The franchise entity would then be subject to further testing under the guidelines of FIN No.46(R).

In December 2003, the SEC issued Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104"), which codifies, revises and rescinds certain sections of SAB No. 101, "Revenue Recognition in Financial Statements," in order to make this interpretative guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material impact on the financial position and results of operations of Nathan's.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data is submitted as a separate section of this report beginning on Page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15. Based on that evaluation, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

There were no significant changes in our internal controls over financial reporting that occurred during the quarter ended March 28, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

We were billed by Grant Thornton LLP the aggregate amount of approximately $149,000 in respect of fiscal 2004 and $146,000 in respect to fiscal 2003 for fees for professional services rendered for the audit of our annual financial statements and review of our financial statements included in our forms 10-Q.

AUDIT-RELATED FEES

We were billed by Grant Thornton LLP the aggregate amount of approximately $19,000 in respect of fiscal 2004 and $20,000 in respect to fiscal 2003 for fees for assurance and related services related to the performance of the audit.

TAX FEES

Grant Thornton LLP did not render any tax compliance, tax advice or tax planning services for fiscal 2004 and 2003.

ALL OTHER FEES

Grant Thornton LLP did not render any other services, other than as set forth above, for fiscal 2004 and 2003. Consequently, aggregate fees billed for all other services rendered by Grant Thornton LLP for fiscal 2004 and 2003 were $0.

PRE-APPROVAL POLICIES

Our audit committee has not adopted any policies pursuant to which it has pre-approved the provision by Grant Thornton LLP of any audit or non-audit services.

Our audit committee approved all of the services provided by Grant Thornton LLP and described in the preceding paragraphs.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements listed in the accompanying index to consolidated financial statements and schedule on Page F-1 are filed as part of this report.

(2) FINANCIAL STATEMENT SCHEDULE

The consolidated financial statement schedule listed in the accompanying index to consolidated financial statements and schedule on Page F-1 is filed as part of this report.

(3) EXHIBITS

Certain of the following exhibits (as indicated in the footnotes to the list), were previously filed as exhibits to other reports or registration statements filed by the Registrant under the Securities Act of 1933 or under the Securities Exchange Act of 1934 and are herein incorporated by reference.

Exhibit No.	Exhibit
3.1	Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 No. 33-56976.)
3.2	Amendment to the Certificate of Incorporation, filed December 15, 1992. (Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 No. 33-56976.)
3.3	By-Laws, as amended. (Incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K for the fiscal year ended March 28, 1999.)
4.1	Specimen Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 No. 33-56976.)
4.2	Form of Warrant issued to Ladenburg, Thalmann & Co., Inc. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-1 No. 33-56976.)
4.3	Amendment to Warrant issued to Howard M. Lorber (Incorporated by reference to Exhibit 4.4 to the Annual Report filed on Form 10-K for the fiscal year ended March 31, 1996.)
4.4	Specimen Rights Certificate (Incorporated by reference to Exhibit 2 to Form 8-A/A dated December 10, 1999.)
10.1	Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 No. 33-56976.)
10.2	Leases for premises at Coney Island, New York, as follows: (Incorporated by reference Exhibit 10.3 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease, dated November 22, 1967, between Nathan's Realty Associates and the Company.
	b) Lease, dated November 22, 1967, between Ida's Realty Associates and the Company.
	c) Lease, dated November 17, 1967, between Ida's Realty Associates and the Company.
10.3	Leases for the premises at Yonkers, New York, as follows: (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease Modification of Land and Building Lease between the Yonkers Corp. and the Company, dated November 19, 1980;
	b) Lease Modification of Land and Building Lease between 787 Central Park Avenue, Inc., and the Company dated May 1, 1980.
10.4	Lease with NWCM Corp. for premises at Oceanside, New York, dated March 14, 1975. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)
10.5	1992 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-8 No. 33-93396.)
10.6	Area Development Agreement with Marriott Corporation, dated February 19, 1993. (Incorporated by reference to Exhibit 10.9(a) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993.)
10.7	Area Development Agreement with Premiere Foods, dated September 11, 1990. (Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1 No. 33-56976.)
10.8	Form of Standard Franchise Agreement. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 No. 33-56976.)

10.9 401K Plan and Trust. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)

10.10 Amendment dated November 8, 1993, to the Employment Agreement, dated December 28, 1992, with Wayne Norbitz. (Incorporated by reference to Exhibit 10.19 to the Annual Report filed on Form 10-K for the fiscal year ended March 27, 1994.)

10.11 License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc., including

amendments and waivers thereto. (Incorporated by reference to Exhibit 10.21 to the Annual Report filed on Form 10-K for the fiscal year ended March 27, 1994.)

10.12 Outside Director Stock Option Plan. (Incorporated by reference to Exhibit 10.22 to Registration Statement on Form S-8 No. 33-89442.)

10.13 Modification Agreement to the Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended December 29, 1996.)

10.14 Amendment to License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc. including waivers and amendments thereto. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended December 29, 1996.)

10.15 1998 Stock Option Plan. (Incorporated by reference to Exhibit 10.26 to the Annual Report filed on Form 10-K for the fiscal year ended March 29, 1998.)

10.16 North Fork Bank Promissory Note.(Incorporated by reference to Exhibit 10.21 to the Annual Report filed on Form 10-K for the fiscal year ended March 28, 1999.)

10.17 Amended and Restated Employment Agreement with Donald L. Perlyn effective September 30, 1999. (Incorporated by reference to Exhibit 10.20 to the Annual Report filed on Form 10-K for the fiscal year ended March 26, 2000.)

10.18 Third Amended and Restated Rights Agreement dated as of December 10, 1999 between Nathan's Famous, Inc. and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 2 to Form 8-A/A dated December 10, 1999.)

10.19 Employment Agreement dated as of January 1, 2000 with Howard M. Lorber.(Incorporated by reference to Exhibit 10.24 to the Annual Report filed on Form 10-K for the fiscal year ended March 26, 2000.)

10.20 Marketing Agreement with beverage supplier. (Incorporated by reference to Exhibit 10.25 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended June 25, 2000.)

10.21 2001 Stock Option Plan. (Incorporated by reference to Exhibit 4 to Registration Statement on Form S-8 No. 333-82760.)

10.22 2002 Stock Incentive Plan. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8 No. 333-101355.)

10.23 Master Distributor Agreement with U.S. Foodservice, Inc. dated February 5, 2003. (Incorporated by reference to Exhibit 10.24 to the Annual Report filed on Form 10-K for the fiscal year ended March 30, 2003.)

14. Code of Ethics

21 List of Subsidiaries of the Registrant.

23 Consent of Grant Thornton LLP dated May 26, 2004.

31.1 Certification by Howard M. Lorber, Chief Executive Officer, pursuant to Rule 13a - 14(a).

31.2 Certification by Wayne Norbitz, Chief Operating Officer, pursuant to Rule 13a - 14(a).

31.3 Certification by Ronald G. DeVos, Chief Financial Officer, pursuant to Rule 13a - 14(a).

32.1 Certification by Howard M. Lorber, Chief Executive Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Ronald G. DeVos, Chief Financial Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 24th day of June, 2004. Nathan's Famous, Inc.

/s/ WAYNE NORBITZ
- ------------------------
Wayne Norbitz, President and
Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 24th day of June, 2004.

/s/ HOWARD M. LORBER - ------------------------ Howard M. Lorber	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ WAYNE NORBITZ - ------------------------ Wayne Norbitz	President, Chief Operating Officer and Director
/s/ RONALD G. DEVOS - ------------------------ Ronald G. DeVos	Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ DONALD L. PERLYN - ------------------------ Donald L. Perlyn	Executive Vice President and Director
/s/ ROBERT J. EIDE - ------------------------ Robert J. Eide	Director
/s/ BARRY LEISTNER - ------------------------ Barry Leistner	Director
/s/ BRIAN GENSON - ------------------------ Brian Genson	Director
/s/ ATTILIO F. PETROCELLI - ------------------------ Attilio F. Petrocelli	Director
- ------------------------ Charles Raich	Director

Nathan's Famous, Inc. and Subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Nathan's Famous, Inc. (a Delaware Corporation) and subsidiaries (the "Company") as of March 28, 2004 and March 30, 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the fifty-two weeks ended March 28, 2004 and March 30, 2003 and the fifty-three weeks ended March 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nathan's Famous, Inc. and subsidiaries as of March 28, 2004 and March 30, 2003, and the consolidated results of their operations and their consolidated cash flows for the fifty-two weeks ended March 28, 2004 and March 30, 2003 and the fifty-three weeks ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

We have also audited Schedule II for the fifty-two weeks ended March 28, 2004 and March 30, 2003 and the fifty-three weeks ended March 31, 2002. In our opinion, this schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information therein.

GRANT THORNTON LLP

Melville, New York
May 26, 2004

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

ASSETS	MARCH 28, 2004	March 30, 2003
CURRENT ASSETS		
Cash and cash equivalents	$ 3,449	$ 1,415
Marketable securities	7,477	4,623
Notes and accounts receivable, net	2,352	2,607
Inventories	743	389
Assets available for sale	507	799
Prepaid expenses and other current assets	463	642
Deferred income taxes	1,326	2,079
Total current assets	16,317	12,554
Notes receivable, net	313	740
Property and equipment, net	5,094	6,263
Goodwill	95	95
Intangible assets, net	3,063	3,319
Deferred income taxes	2,452	2,647
Other assets, net	250	268
	$ 27,584	$ 25,886
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of notes payable and capital lease obligations	$ 173	$ 173
Accounts payable	1,950	1,377
Accrued expenses and other current liabilities	4,836	4,942
Deferred franchise fees	173	127
Total current liabilities	7,132	6,619
Notes payable and capital lease obligations, less current maturities	866	1,053
Other liabilities	2,234	1,831
Total liabilities	10,232	9,503
COMMITMENTS AND CONTINGENCIES (Note L)		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 30,000,000 shares authorized; 7,065,202 and 7,065,202 shares issued; and 5,213,901 and 5,423,964 shares outstanding at March 28, 2004 and March 30, 2003, respectively	71	71
Additional paid-in capital	40,746	40,746
Accumulated deficit	(16,611)	(18,505)
Accumulated other comprehensive income	67	64
	24,273	22,376
Treasury stock, at cost, 1,851,301 and 1,641,238 shares at March 28, 2004 and March 30, 2003, respectively	(6,921)	(5,993)
Total stockholders' equity	17,352	16,383
	$ 27,584	$ 25,886

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	FIFTY-TWO WEEKS ENDED MARCH 28, 2004	Fifty-two weeks ended March 30, 2003	Fifty-three weeks ended March 31, 2002
REVENUES			
Sales	$ 20,765	$ 24,762	$ 27,425
Franchise fees and royalties	6,286	5,977	7,944
License royalties	2,970	2,585	2,038
Interest income	199	292	500
Investment and other income	459	156	1,568
Total revenues	30,679	33,772	39,475
COSTS AND EXPENSES			
Cost of sales	14,775	16,592	18,269
Restaurant operating expenses	3,806	5,621	6,559
Depreciation and amortization	971	1,314	1,395
Amortization of intangible assets	261	278	888
General and administrative expenses	7,519	8,600	9,292
Interest expense	75	132	256
Impairment charge on long-lived assets	25	1,367	392
Impairment charge on notes receivable	208	1,425	185
Other expense (income), net	45	232	(210)
Total costs and expenses	27,685	35,561	37,026
Income (loss) from continuing operations before provision (benefit) for income taxes	2,994	(1,789)	2,449
Provision (benefit) for income taxes	1,100	(283)	1,057
Income (loss) from continuing operations	1,894	(1,506)	1,392
Loss from discontinued operations, net of income tax benefit of ($82) and ($95) in 2003 and 2002, respectively	-	(124)	(143)
Income (loss) from operations before cumulative effect of a change in accounting principle	1,894	(1,630)	1,249
Cumulative effect of change in accounting principle, net of tax benefit of ($854) in 2003	-	(12,338)	-
Net income (loss)	$ 1,894	$ (13,968)	$ 1,249
PER SHARE INFORMATION			
Basic income (loss) per share:			
Income (loss) from continuing operations	$ .36	$ (.25)	$ .20
Loss from discontinued operations	-	(.03)	(.02)
Cumulative effect of change in accounting principle	-	(2.06)	-
Net income (loss)	$ .36	$ (2.34)	$ .18
Diluted income (loss) per share:			
Income (loss) from continuing operations	$ .33	$ (.25)	$.20
Loss from discontinued operations	-	(.03)	(.02)
Cumulative effect of change in accounting principle	-	(2.06)	-
Net income (loss)	$ .33	$ (2.34)	$ .18
Weighted average shares used in computing net income (loss) per share			
Basic	5,306,000	5,976,000	7,048,000
Diluted	5,678,000	5,976,000	7,083,000

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Fifty-two weeks ended March 28, 2004 and March 30, 2003 and
fifty-three weeks ended March 31, 2002

(in thousands, except share amounts)

	Common shares	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income
Balance, March 25, 2001	7,065,202	$ 71	$ 40,746	$ (5,786)	$ -
Repurchase of treasury stock	-	-	-	-	-
Net income	-	-	-	1,249	-
Comprehensive income	-	-	-	-	-
Balance, March 31, 2002	7,065,202	71	40,746	(4,537)	-
Repurchase of treasury stock	-	-	-	-	-
Unrealized gains on marketable securities, net of deferred income taxes of $50	-	-	-	-	70
Reclassification adjustment for net gains realized in net loss, net of deferred income taxes of $4	-	-	-	-	(6)
Net loss	-	-	-	(13,968)	-
Comprehensive loss	-	-	-	-	-
Balance, March 30, 2003	7,065,202	71	40,746	(18,505)	64
Repurchase of treasury stock	-	-	-	-	-
Unrealized gains on marketable securities, net of deferred income taxes of $7	-	-	-	-	10
Reclassification adjustment for net gains realized in net income, net of deferred income taxes of $5	-	-	-	-	(7)
Net income	-	-	-	1,894	-
Comprehensive income	-	-	-	-	-
Balance, March 28, 2004	7,065,202	$ 71	$ 40,746	$ (16,611)	$ 67

	Treasury stock, at cost Shares	Treasury stock, at cost Amount	Total stockholders' Equity	Comprehensive income (loss)
Balance, March 25, 2001	-	$ -	$ 35,031	
Repurchase of treasury stock	41,691	(135)	(135)	
Net income	-	-	1,249	$ 1,249
Comprehensive income	-	-	-	$ 1,249
Balance, March 31, 2002	41,691	(135)	36,145	
Repurchase of treasury stock	1,599,547	(5,858)	(5,858)	
Unrealized gains on marketable securities, net of deferred income taxes of $50	-	-	70	$ 70
Reclassification adjustment for net gains realized in net loss, net of deferred income taxes of $4	-	-	(6)	(6)
Net loss	-	-	(13,968)	(13,968)
Comprehensive loss	-	-	-	$ (13,904)
Balance, March 30, 2003	1,641,238	(5,993)	16,383	
Repurchase of treasury stock	210,063	(928)	(928)	
Unrealized gains on marketable securities, net of deferred income taxes of $7	-	-	10	$ 10
Reclassification adjustment for net gains realized in net income, net of deferred income taxes of $5	-	-	(7)	(7)
Net income	-	-	1,894	1,894
Comprehensive income	-	-	-	$ 1,897
Balance, March 28, 2004	1,851,301	$ (6,921)	$ 17,352	

The accompanying notes are an integral part of this statement.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	FIFTY-TWO WEEKS ENDED MARCH 28, 2004	Fifty-two weeks ended March 30, 2003	Fifty-three weeks ended March 31, 2002
Cash flows from operating activities:			
Net income (loss)	$ 1,894	$ (13,968)	$ 1,249
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Cumulative effect of change in accounting principle, net of tax benefit	-	12,338	-
Depreciation and amortization	971	1,907	1,661
Amortization of intangible assets	261	278	888
Amortization of bond premium	127	85	-
Gain on disposal of fixed assets	(206)	(39)	(1,226)
Gain on sale of available for sale securities	(12)	(10)	-
Impairment of long-lived assets	25	1,367	685
Impairment of notes receivable	208	1,425	185
(Recovery of) provision for doubtful accounts	(17)	82	267
Deferred income taxes	945	(585)	509
Changes in operating assets and liabilities:			
Marketable securities and investment in limited partnership	-	981	(4,171)
Notes and accounts receivable	294	2	(26)
Inventories	(354)	203	(69)
Prepaid expenses and other current assets	179	627	(295)
Other assets	18	32	104
Accounts payable, accrued expenses and other current liabilities	467	(1,647)	(2,538)
Deferred franchise fees	46	(205)	(324)
Other liabilities	430	(577)	20
Net cash provided by (used in) operating activities	5,276	2,296	(3,081)
Cash flows from investing activities:			
Proceeds from sale of available for sale securities	2,497	6,088	-
Purchase of available for sale securities	(5,461)	(2,884)	-
Purchases of property and equipment	(449)	(562)	(2,082)
Payments received on notes receivable	797	273	812
Proceeds from sales of property and equipment	489	781	3,348
Net cash (used in) provided by investing activities	(2,127)	3,696	2,078
Cash flows from financing activities:			
Principal repayments of notes payable and capitalized lease obligations	(187)	(553)	(1,353)
Repurchase of treasury stock	(928)	(5,858)	(135)
Net cash used in financing activities	(1,115)	(6,411)	(1,488)
Net change in cash and cash equivalents	2,034	(419)	(2,491)
Cash and cash equivalents, beginning of year	1,415	1,834	4,325
Cash and cash equivalents, end of year	$ 3,449	$ 1,415	$ 1,834
Cash paid during the year for:			
Interest	$ 74	$ 138	$ 264
Income taxes	$ 253	$ 57	$ 149
Noncash financing activities:			
Loans to franchisees in connection with sale of restaurants	$ 600	$ 44	$ 416

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

March 28, 2004, March 30, 2003 and March 31, 2002

NOTE A - DESCRIPTION AND ORGANIZATION OF BUSINESS

Nathan's Famous, Inc. and subsidiaries (collectively the "Company" or "Nathan's") has historically operated or franchised a chain of retail fast food restaurants featuring the Nathan's famous brand of all beef frankfurters, fresh crinkle-cut french fried potatoes and a variety of other menu offerings. Since fiscal 1998, the Company has supplemented the Nathan's franchise program with the Nathan's Branded Product Program, which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, the Company acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. ("Roasters"), the franchisor of Kenny Rogers Roasters. In addition, Nathan's completed a merger with Miami Subs Corporation ("Miami Subs") whereby it acquired the remaining 70% of Miami Subs common stock not previously owned by the Company. Miami Subs features a wide variety of lunch, dinner and snack foods, including hot and cold sandwiches and various ethnic foods. Roasters features home-style family foods based on a menu centered around wood-fire rotisserie chicken. The Company considers its subsidiaries to be in the food service industry, and has pursued co-branding and co-hosting initiatives; accordingly, management has evaluated the Company as a single reporting unit.

At March 28, 2004, the Company's restaurant system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 7 company-owned units concentrated in the New York metropolitan area, 338 franchised or licensed units, including 6 units operating pursuant to management agreements and approximately 3,300 branded product points of sale under the Nathan's Branded Product Program, located in 44 states, the District of Columbia, and 12 foreign countries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Fiscal Year

The Company's fiscal year ends on the last Sunday in March, which results in a 52- or 53-week reporting period. The results of operations and cash flows for the fiscal years ended March 28, 2004 and March 30, 2003 are on the basis of 52-week reporting periods. The results of operations and cash flows for the fiscal year ended March 31, 2002 are on the basis of a 53-week reporting period.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management in preparing the consolidated financial statements include revenue recognition, the allowance for doubtful accounts, the allowance for impaired notes receivable, the self-insurance reserve and impairment charges on goodwill and long-lived assets.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

4. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash restricted for untendered shares associated with the acquisition of Nathan's in 1987 amounted to $83 at March 28, 2004 and March 30, 2003, respectively, and is included in cash and cash equivalents.

5. Impairment of Notes Receivable

Nathan's follows the guidance in Statement of Financial Accounting Standards ("SFAS") No. 114 ("SFAS No. 114") "Accounting by Creditors for Impairment of a Loan," as amended. Pursuant to SFAS No. 114, a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When evaluating a note for impairment, the factors considered include: (a) indications that the borrower is experiencing business problems such as operating losses, marginal working capital, inadequate cash flow or business interruptions, (b) loans secured by collateral that is not readily marketable, or (c) that are susceptible to deterioration in realizable value. When determining impairment, management's assessment includes its intention to extend certain leases beyond the minimum lease term and the debtor's ability to meet its obligation over that extended term. In certain cases where Nathan's has determined that a loan has been impaired, it generally does not expect to extend or renew the underlying leases. Based on the Company's analysis, it has determined that there are notes that have incurred such an impairment. Following are summaries of impaired notes receivable and the allowance for impaired notes receivable:

	MARCH 28, 2004	March 30, 2003
Total recorded investment in impaired notes receivable	$ 2,248	$ 2,598
Allowance for impaired notes receivable	(2,051)	(2,065)
Recorded investment in impaired notes receivable, net	$ 197	$ 533

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

	MARCH 28, 2004	March 30, 2003
Allowance for impaired notes receivable at beginning of the fiscal year	$ 2,065	$ 640
Impairment charges on notes receivable	208	1,425
Impaired notes written off	(222)	-
Allowance for impaired notes receivable at end of the fiscal year	$ 2,051	$ 2,065

Based on the present value of the estimated cash flows of identified impaired notes receivable, the Company records interest income on its impaired notes receivable on a cash basis. The following represents the interest income recognized and average recorded investment of impaired notes receivable.

	MARCH 28, 2004	March 30, 2003	March 31, 2002
Interest income recorded on impaired notes receivable	$ 19	$ 96	$ 47
Average recorded investment in impaired notes receivable	$ 2,341	$ 1,624	$ 936

6. Inventories

Inventories, which are stated at the lower of cost or market value, consist primarily of restaurant food items, supplies, marketing items and equipment in connection with the Branded Product Program. Cost is determined using the first-in, first-out method.

NOTE B (CONTINUED)

7. Marketable Securities

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company determines the appropriate classification of securities at the time of purchase and reassesses the appropriateness of the classification at each reporting date. At March 28, 2004 and March 30, 2003, all marketable securities held by the Company have been classified as available-for-sale and, as a result, are stated at fair value. Realized gains and losses on the sale of securities, as determined on a specific identification basis, are included in the accompanying consolidated statements of operations. Unrealized gains and losses on available for sale securities are included as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet.

8. Sales of Restaurants

The Company observes the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," ("SFAS No. 66") which establishes accounting standards for recognizing profit or loss on sales of real estate. SFAS No. 66 provides for profit recognition by the full accrual method, provided (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and other methods of profit recognition shall be followed. In accordance with SFAS No. 66, the Company recognizes profit on sales of restaurants under the full accrual method, the installment method and the deposit method, depending on the specific terms of each sale. The Company continues to record depreciation expense on the property subject to the sales contracts that are accounted for under the deposit method and records any principal payments received as a deposit until such time that the transaction meets the sales criteria of SFAS No. 66.

As of March 28, 2004 and March 30, 2003, the Company had deposits on the sales of restaurants of $0 and $161, respectively, included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

9. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The estimated useful lives are as follows:

Building and improvements	5 - 25 years
Machinery, equipment, furniture and fixtures	5 - 15 years
Leasehold improvements	5 - 20 years

10. Intangible Assets

Intangible assets consist of (i) the goodwill resulting from the acquisition of Nathan's in 1987; (ii) trademarks and trade names, franchise rights and recipes in connection with Roasters and (iii) goodwill and certain identifiable intangibles resulting from the Miami Subs acquisition. These intangible assets were being amortized over periods from 10 to 40 years through March 31, 2002.

On April 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), which supercedes APB Opinion No. 17, "Intangible Assets" and certain provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"). SFAS No. 142 requires that goodwill and other intangibles be reported separately; eliminates the requirement to amortize goodwill and indefinite-lived intangible assets; addresses the amortization of intangible assets with a definite life; and addresses impairment testing and recognition of goodwill and intangible assets. SFAS No. 142 changes the method of accounting for the recoverability of goodwill for the Company, such that it is evaluated at the brand level based upon the estimated fair value of the brand. Fair value can be determined based on discounted cash flows, on comparable sales or valuations of other restaurant brands. The impairment review involves a two-step process as follows:

Step 1: Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit's fair value, move on to step 2. If a reporting unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

Step 2: Allocate the fair value of the reporting unit to its identifiable tangible and intangible assets, excluding goodwill and liabilities. This will derive an implied fair value for the reporting unit's goodwill. Then, compare the implied fair value of the reporting unit's goodwill with the carrying amount of reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess. The transitional impairment charge, if any, is recorded as a cumulative effect of accounting change for goodwill.

The Company completed its initial SFAS No. 142 transitional impairment test of goodwill in April 2002, including an assessment of a valuation of the Nathan's, Miami Subs and Roasters reporting units by an independent valuation consultant, and has recorded an impairment charge requiring the Company to write-off substantially all of the goodwill related to the acquisitions, trademarks and recipes as a cumulative effect of accounting change in the first quarter of fiscal 2003. The fair value was determined through the combination of a present value analysis as well as prices of comparative businesses. The changes in the net carrying amount of goodwill, trademarks and recipes recorded in the first quarter of fiscal 2003 are as follows:

	Goodwill	Trademarks	Recipes	Total
Balance as of April 1, 2002	$ 11,083	$ 2,242	$ 30	$13,355
Cumulative effect of accounting change for goodwill and other intangible assets	(10,988)	(2,174)	(30)	(13,192)
Balance as of March 30, 2003	$ 95	$ 68	$ -	$ 163

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The table below presents amortized and unamortized intangible assets as of March 28, 2004 and March 30, 2003:

	MARCH 28, 2004			March 30, 2003		
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Royalty streams	$ 4,259	$ (1,269)	$ 2,990	$ 4,259	$ (1,008)	$ 3,251
Favorable leases	285	(285)	-	285	(285)	-
Other	6	(1)	5	16	(16)	-
	$ 4,550	$ (1,555)	$ 2,995	$ 4,560	$ (1,309)	$ 3,251
Unamortized intangible assets:						
Trademarks, tradenames and recipes			68			68
			$ 3,063			$ 3,319
Goodwill			$ 95			$ 95

The following table provides a reconciliation of the reported net income (loss) and net income (loss) per share for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, adjusted as though SFAS No. 142 had been effective for all periods:

	2004	2003	2002
Reported net income (loss) before cumulative effect of change in accounting principle	$1,894	$ (1,630)	$1,249
Add back discontinued amortization expense	-	-	555
Adjusted net income (loss) before cumulative effect of change in accounting principle	1,894	(1,630)	1,804
Cumulative effect of change in accounting principle	-	(12,338)	-
Adjusted net income (loss)	$1,894	$(13,968)	$1,804
Reported basic net income (loss) per common share before cumulative effect of change in accounting principle	$ .36	$ (.28)	$ .18
Effect of discontinued amortization expense	-	-	.08
Adjusted basic net income (loss) per common share before cumulative effect of change in accounting principle	.36	(.28)	.26
Cumulative effect of change in accounting principle	-	(2.06)	-
Adjusted basic net income (loss) per common share	$ .36	$ (2.34)	$ .26
Reported diluted net income (loss) per common share before cumulative effect of change in accounting principle	$ .33	$ (.28)	$ .18
Effect of discontinued amortization expense	-	-	.07
Adjusted diluted net income (loss) per common share before cumulative effect of change in accounting principle	.33	(.28)	.25
Cumulative effect of change in accounting principle	-	(2.06)	-
Adjusted diluted net income (loss) per common share	$ .33	$ (2.34)	$ .25

NOTE B (CONTINUED)

As of March 28, 2004, and March 30, 2003, the Company has reevaluated the impact of SFAS No. 142 on its goodwill and intangible assets, and determined no additional impairment charges were deemed necessary.

Total amortization expense for intangible assets was $261, $278 and $888 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002. The Company estimates future annual amortization expense of approximately $261 per year for each of the next five years. In the fourth quarter of fiscal 2003, the Company recorded an impairment charge of $239 related to its favorable leases. This impairment charge, which was based upon the fact that such locations had incurred negative cash flows from operations for fiscal 2003 and were projected to incur negative cash flows in fiscal 2004, was recorded as a component of impairment charge on long-lived assets. (See Note B-11.)

11. Long-lived Assets

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In instances where impairment is determined to exist, the Company writes down the asset to its fair value based on the present value of estimated future cash flows.

Impairment losses are recorded on long-lived assets on a restaurant-by-restaurant basis whenever impairment factors are determined to be present. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. The Company has identified one, seven and two units that have been impaired, and recorded impairment charges of $25, $1,367, (inclusive of $239 related to favorable leases discussed in Note B-10), and $685 in the statements of operations for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

The Company periodically reviews intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable. (See Note B - 10 for a description of impairment charges recorded on goodwill and other intangible assets during the fiscal year ended March 30, 2003 as a result of the adoption of SFAS No. 142.) No impairment charges were recorded with respect to such intangible assets for the fiscal years ended March 28, 2004 and March 31, 2002.

NOTE B (CONTINUED)

12. Self-Insurance

The Company is self-insured for portions of its general liability coverage. As part of Nathan's risk management strategy, its insurance programs include deductibles for each incident and in the aggregate for a policy year. As such, Nathan's accrues estimates of its ultimate self-insurance costs throughout the policy year. These estimates have been developed based upon Nathan's historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, Nathan's annual self-insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. The self-insurance accruals at March 28, 2004 and March 30, 2003 were $346 and $596, respectively and are included in "Accrued expenses and other current liabilities" in the accompanying consolidated balance sheets. During the fiscal year ended March 28, 2004, approximately $268 of previously recorded insurance accruals for items that have been concluded without further payment were reversed. During the fiscal year ended March 30, 2003, the self insurance accrual was reduced by approximately $829, due principally to the satisfaction of a claim against the Company totaling $659 and the reversal of approximately $196 of previously recorded self insurance accruals in connection with the conclusion of claims relating to prior policy years.

13. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable and accounts payable approximate fair value due to the short-term maturities of the instruments. The carrying amounts of note payable and capital lease obligations and notes receivable approximate their fair values as the current interest rates on such instruments approximates current market interest rates on similar instruments.

14. Stock-Based Compensation

At March 28, 2004, the Company has five stock-based employee compensation plans, which are described more fully in Note K. The Company accounts for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25") and has adopted the disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Accordingly, no compensation expense has been recognized in the consolidated financial statements in connection with employee stock option grants.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The following table illustrates the effect on net income (loss) and net income (loss) per share had the Company applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	Fiscal year ended MARCH 28, 2004	March 30, 2003	March 31, 2002
Net income (loss), as reported	$ 1,894	$(13,968)	$ 1,249
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	(170)	(165)	(410)
Pro forma net income (loss)	$ 1,724	$(14,133)	$ 839
Net income (loss) per share			
Basic - as reported	$ .36	$ (2.34)	$ .18
Diluted - as reported	$ .33	$ (2.34)	$ .18
Basic - pro forma	$ .32	$ (2.36)	$ .12
Diluted - pro forma	$ .30	$ (2.36)	$ .12

Pro forma compensation expense may not be indicative of pro forma expense in future years. For purposes of estimating the fair value of each option on the date of grant, the Company utilized the Black-Scholes option-pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The weighted-average option fair values and the assumptions used to estimate these values are as follows:

	2004	2003	2002
Weighted-average option fair values	$ 1.60	$ 2.19	$ 1.30
Expected life (years)	7.0	10.0	6.6
Interest rate	3.85%	5.30%	4.06%
Volatility	30.6%	32.8%	32.3%
Dividend yield	0%	0%	0%

15. Start-up Costs

Preopening and similar costs are expensed as incurred.

16. Revenue Recognition - Company-owned Restaurants

Sales by Company-owned restaurants, which are typically paid in cash by the customer, are recognized upon the performance of services.

17. Revenue Recognition - Franchising Operations

In connection with its franchising operations, the Company receives initial franchise fees, development fees, royalties, contributions to marketing funds, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are recorded as deferred revenue. Initial franchise fees are recognized as income when substantially all services to be performed by Nathan's and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations. The following services are typically provided by the Company prior to the opening of a franchised restaurant:

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

- Approval of all site selections to be developed.
- Provision of architectural plans suitable for restaurants to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the restaurant.
- Provision of appropriate menus to coordinate with the restaurant design and location to be developed.
- Provide management training for the new franchisee and selected staff.
- Assistance with the initial operations of restaurants being developed.

Development fees are nonrefundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled. At March 28, 2004 and March 30, 2003, $173 and $127, respectively, of deferred franchise fees are included in the accompanying consolidated balance sheets. For the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, the Company earned franchise fees from new unit openings, transfers and co-branding of $428, $418 and $693, respectively. During the fiscal year ended March 30, 2003, the Company recognized $207 in connection with the forfeiture of two Master Development Agreements.

The following is a summary of franchise openings and closings for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002:

	2004	2003	2002
Franchised restaurants operating at the beginning of the period	343	364	386
New franchised restaurants opened during the period	40	24	18
Franchised restaurants closed during the period	(45)	(45)	(40)
Franchised restaurants operating at the end of the period	338	343	364

NOTE B (CONTINUED)

The Company recognizes franchise royalties when they are earned and deemed collectible. Franchise fees and royalties that are not deemed to be collectible are not recognized as revenue until paid by the franchisee. Revenue from sub-leasing properties to franchisees is recognized as income as the revenue is earned and becomes receivable and deemed collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated statements of operations.

18. Revenue Recognition - Branded Products Operations

The Company recognizes revenue from the Branded Product Program when it is determined by the manufacturer that the products have been delivered via third party common carrier to Nathans' customers. An accrual for the cost of the product to the Company is recorded simultaneously with the revenue.

19. Interest Income

Interest income is accrued when it is earned and deemed realizable by the Company.

20. Investment and other income

The Company recognizes gains on the sale of fixed assets under the full accrual method in accordance with provisions of SFAS No. 66 (See Note B-8).

Deferred revenue associated with supplier contracts is generally amortized on a straight-line basis over the life of the contract.

Investments classified as trading securities are recorded at fair value and the unrealized gains or losses are recognized as a component of "Investment and other income". During the fiscal year ended March 30, 2003, the Company liquidated its investment in trading securities.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

Investment and other income consists of the following:

	2004	2003	2002
Gain on disposal of fixed assets	$ 206	$ 39	$1,226
Realized gains (losses) on marketable securities	12	(242)	7
Unrealized losses of trading securities	-	-	(43)
Loss on subleasing of rental properties	(312)	(243)	(215)
Gain from the early termination of sales agreement	-	135	-
Other income	553	467	593
	$ 459	$ 156	$1,568

21. Concentrations of Credit Risk

The Company's accounts receivable consist principally of receivables from franchisees for royalties and advertising contributions and receivables from sales under the Branded Product Program. At March 28, 2004 and March 30, 2003, no franchisee or Branded Product Program customer represented 10% or greater of accounts receivable. (See Note D).

22. Advertising

The Company administers various advertising funds on behalf of its subsidiaries and franchisees to coordinate the marketing efforts of the Company. Under these arrangements, the Company collects and disburses fees paid by franchisees and Company-owned stores for national and regional advertising, promotional and public relations programs. Contributions to the advertising funds are based on specified percentages of net sales, generally ranging up to 3%. Net Company-owned store advertising expense was $241, $608 and $940, for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

NOTE B (CONTINUED)

23. Classification of Operating Expenses

Cost of sales consists of the following:

- The cost of products sold in the Company-operated restaurants, Branded Product Program and other distribution channels.

- The cost of labor and associated costs of in-store restaurant management and crew.

- The cost of paper products used in Company-operated restaurants.

- Other direct costs, such as fulfillment, commissions, freight and samples.

Restaurant operating expenses consist of the following:

- Occupancy costs of Company-operated restaurants.

- Utility costs of Company-operated restaurants.

- Repair and maintenance expenses of the Company-operated restaurant facilities.

- Marketing and advertising expenses done locally and contributions to advertising funds for Company-operated restaurants.

- Insurance costs directly related to Company-operated restaurants.

24. Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. A valuation allowance has been established to reduce deferred tax assets attributable to net operating losses and credits of Miami Subs.

25. Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

NOTE B (CONTINUED)

26. Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. The Company has evaluated the effect of the adoption of SFAS No. 143 on its financial position and results of operations, and it has not had a material impact on the financial position and results of operations of the Company.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. Additionally, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. In addition, SFAS No. 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. SFAS No. 145 has not had a material impact on the financial position and results of operations of the Company.

NOTE B (CONTINUED)

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The adoption of SFAS No. 149 has not had a material impact on the Company's financial position and results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. The adoption of SFAS No. 150 has not had a material impact on the Company's financial position and results of operations.

In December 2003, the FASB issued a revision to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN No. 46(R)" or the "Interpretation"). FIN No. 46(R) clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN No. 46(R) requires the consolidation of these entities, known as variable interest entities, by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

NOTE B (CONTINUED)

The revisions of FIN No. 46(R) (a) clarified some requirements of the original FIN No. 46, which had been issued in January 2003, (b) simplified some of the implementation problems, and (c) added new scope exceptions. FIN No. 46R delayed the effective date of the FIN No. 46(R) for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of FIN No. 46(R) to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN No. 46(R) by the end of the first reporting period ending after December 15, 2003.

FIN No. 46(R) added several new scope exceptions, including one which states that companies are not required to apply the provisions to an entity that meets the criteria to be considered a "business" as defined in FIN No. 46(R) unless one or more of four named conditions exist.

The Company has no equity ownership interests in its franchisees, and has not consolidated any of these entities in the Company's financial statements. The Company will continue to monitor developments regarding the Interpretation as they occur. The Company adopted the provisions of FIN No. 46(R) in its fourth fiscal quarter of 2004.

The Company does not provide more than half of the equity subordinated debt or other subordinated financial support to any franchise entity. The Company has further concluded that the franchise entities were not designed such that substantially all of their activities either involve or are conducted on behalf of Nathan's. As such, the Company has not consolidated any franchised entity in the financial statements. If, at some future date, Nathan's does provide more than half of the subordinated financial support to a franchise entity, consolidation would not be automatic. The franchise entity would then be subject to further testing under the guidelines of FIN No.46(R).

In December 2003, the SEC issued Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104"), which codifies, revises and rescinds certain sections of SAB No. 101, "Revenue Recognition in Financial Statements," in order to make this interpretative guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material impact on the Company's financial position or results of operations.

(in thousands, except share and per share amounts)

NOTE C - INCOME (LOSS) PER SHARE

Basic income (loss) per common share is calculated by dividing income (loss) by the weighted-average number of common shares outstanding and excludes any dilutive effects of stock options or warrants. Diluted income (loss) per common share gives effect to all potentially dilutive common shares that were outstanding during the period. Dilutive common shares used in the computation of diluted income (loss) per common share result from the assumed exercise of stock options and warrants, using the treasury stock method.

The following chart provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively:

	Income (loss) from continuing operations			Shares			Income (loss) per share From continuing operations		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Basic EPS									
Basic calculation	$ 1,894	$ (1,506)	$ 1,392	5,306,000	5,976,000	7,048,000	$ .36	$ (.25)	$ .20
Effect of dilutive employee stock options and warrants	-	-	-	372,000	-	35,000	(.03)	-	-
Diluted EPS									
Diluted calculation	$ 1,894	$ (1,506)	$ 1,392	5,678,000	$ 5,976,000	$ 7,083,000	$ .33	$ (.25)	$ .20

Options and warrants to purchase 1,374,981 shares of the Company's common stock for the year ended March 30, 2003 were excluded from the calculation of diluted loss per share as the impact of their inclusion would have been anti-dilutive. Options and warrants to purchase 811,918 and 862,838 shares of common stock for the years ended March 28, 2004 and March 31, 2002, respectively, were not included in the computation of diluted earnings per share because the exercise prices exceeded the average market price of common shares during the respective periods.

(in thousands, except share and per share amounts)

NOTE D - NOTES AND ACCOUNTS RECEIVABLE, NET

Notes and accounts receivable, net, consist of the following:

	MARCH 28, 2004	March 30, 2003
Notes receivable, net of impairment charges	$ 573	$ 998
Franchise and license royalties	1,404	1,465
Branded product sales	687	737
Other	329	565
	2,993	3,765
Less: allowance for doubtful accounts	328	418
Less: notes receivable due after one year	313	740
Notes and accounts receivable, net	$ 2,352	$ 2,607

Notes receivable at March 28, 2004 and March 30, 2003 principally resulted from sales of restaurant businesses to Miami Sub's and Nathan's franchisees and are generally guaranteed by the purchaser and collateralized by the restaurant businesses and assets sold. The notes are generally due in monthly installments of principal and interest with a balloon payment at the end of the term, with interest rates ranging principally between 5% and 10% (See Note B-5).

Accounts receivable are due within 30 days and are stated at amounts due from franchisees and licensees, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they are deemed to be uncollectible.

(in thousands, except share and per share amounts)

NOTE D (CONTINUED)

Changes in the Company's allowance for doubtful accounts are as follows:

	2004	2003	2002
Beginning balance	$ 418	$ 644	$ 880
Bad debt (recoveries) expense	(17)	82	267
Other	-	-	27
Accounts written off	(73)	(308)	(530)
Ending balance	$ 328	$ 418	$ 644

NOTE E - MARKETABLE SECURITIES

The cost, gross unrealized gains, gross unrealized losses and fair market value for marketable securities by major security type at March 28, 2004 and March 30, 2003 are as follows:

2004:	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
Available-for-sale securities:				
Bonds	$ 7,382	$ 107	$ (12)	$ 7,477
2003:				
Available-for-Sale securities:				
Bonds	$ 4,513	$ 181	$ (71)	$ 4,623

(in thousands, except share and per share amounts)

NOTE E (CONTINUED)

Proceeds from the sale of available-for-sale and trading securities and the resulting gross realized gains and losses included in the determination of net income are as follows:

	2004	2003	2002
Available-for-sale securities:			
Proceeds	$ 2,497	$ 6,088	$ -
Gross realized gains	17	12	-
Gross realized losses	(5)	(2)	-
Trading securities:			
Proceeds	-	$ 767	$ 2,933
Gross realized gains	-	-	8
Gross realized losses	-	(252)	(1)

Effective April 1, 2002, the Company transferred the Company's bond portfolio formerly classified as trading securities to available for sale securities due to a change in the Company's investment strategies. As required by SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities", the transfer of these securities between categories of investments has been accounted for at fair value and the unrealized holding loss previously recorded through April 1, 2002 of $20 from the trading category has not been reversed. The net unrealized gains for the fiscal years ended March 28, 2004 and March 30, 2003, respectively, of $3 and $64, net of deferred income taxes, has been included as a component of comprehensive income.

During the fiscal year ended March 30, 2003, the Company liquidated its investment in limited partnership and received proceeds of $767 and recorded a loss of $252 which is included as a component of investment and other income in the accompanying consolidated statement of operations for the fiscal year ended March 30, 2003.

(in thousands, except share and per share amounts)

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	MARCH 28, 2004	March 30, 2003
Construction-in-progress	$ 103	$ 31
Land	1,281	1,665
Building and improvements	1,854	2,255
Machinery, equipment, furniture and fixtures	5,980	5,297
Leasehold improvements	4,123	4,042
	13,341	13,290
Less: accumulated depreciation and amortization	8,247	7,027
	$ 5,094	$ 6,263

Depreciation expense on property and equipment was $971, $1,907 and $1,661 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

1. Sales of Restaurants

On April 1, 2002, the Company adopted the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No.144"). This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retained the fundamental provisions of SFAS No. 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. SFAS No. 144 has broadened the definition of discontinued operations to include components of an entity whose cash flows are clearly identifiable, as compared to a segment of a business. SFAS No. 144 requires the Company to classify as discontinued operations any restaurant that it sells, abandons or otherwise disposes of where the Company will have no further involvement in such restaurant's operations.

NOTE F (CONTINUED)

During the fiscal year ended March 28, 2004, the Company sold three Company-owned restaurants for total consideration of $1,083 and entered into two management agreements with franchisees to operate two Company-owned restaurants. As the Company expects to have a continuing stream of cash flows for all of these restaurants, the results of operations for these Company-operated restaurants are included as a component of continuing operations in the accompanying consolidated statements of operations. The assets associated with these restaurants that were sold were included in Assets held for sale in the March 30, 2003 consolidated balance sheet.

During the fiscal year ended March 30, 2003, the Company sold three Company-owned restaurants for total consideration of $591. In August 2002, an operating restaurant, which had been classified as held for sale at March 30, 2003, was sold to a non-franchisee for $75. In October 2002, a non-operating restaurant, which had been classified as held for sale was sold to a non-franchisee for $466 and an operating restaurant was sold to a franchisee in exchange for a $50 note. As these restaurants were either classified as held-for-sale prior to the adoption of SFAS No. 144 or the Company has a continuing stream of cash flows in the case of the franchised restaurant, the results of operations for these Company-operated restaurants that were sold are included as a component of continuing operations in the accompanying consolidated statements of operations for the fiscal years ended March 30, 2003 and March 31, 2002. In December 2002, the Company abandoned the operations of one Company-owned restaurant pursuant to a lease termination agreement with the landlord. The results of operations for this restaurant have been classified as discontinued operations for all periods presented as the Company does not have any continuing involvement in the operations of this restaurant or a continuing stream of cash flows with this restaurant.

As discussed in Note F-2 below, during fiscal 2003, the Company also abandoned the operations of seven company-operated restaurants located within certain Home Depot Home Improvement Centers. Pursuant to SFAS No. 144, the results of operations for all seven of these restaurants have been presented as discontinued operations in the accompanying consolidated statement of operations for all periods presented, as the Company has no continuing involvement in the operations of these restaurants or cash flows relating to any of these restaurants.

During the fiscal year ended March 31, 2002, the Company sold two company-owned restaurants and a non-restaurant property for total proceeds of $3,348. The Company recognized a gain of $1,226 in connection with these sales.

In May 2001, the Company completed the sale of a restaurant property for approximately $1,500 pursuant to an order of condemnation by the State of Florida. Concurrent with the sale, the Company satisfied a related note payable of approximately $793 plus accrued interest. The Company appealed the value of this property and on November 19, 2001, an Order was entered by the Circuit

(in thousands, except share and per share amounts)

NOTE F (CONTINUED)

Court of the 11th Judicial Circuit of Florida in and for Miami-Dade County pursuant to which the State of Florida Department of Transportation was ordered to pay to the Company, an aggregate value of $2,350, plus legal fees in the amount of $253 in connection with the condemnation by the State of Florida of the restaurant. The additional proceeds received by the Company of approximately $850 is recorded as a component of "investment and other income" in the accompanying consolidated statement of operations for the year ended March 31, 2002.

2. Food Service License Termination Within Home Depot Stores

In August 2002, the Company received written notice from Home Depot U.S.A., Inc. ("Home Depot") that Home Depot terminated seven License Agreements with the Company pursuant to which the Company operated Nathan's restaurants in certain Home Depot Improvement Centers. In accordance with the termination notices, the Company ceased its operations in all seven Home Depot locations during the fiscal year ended March 30, 2003.

Pursuant to SFAS No. 144, the results of operations for all seven of these restaurants have been presented as discontinued operations in the accompanying consolidated statement of operations as the Company has no continuing involvement in the operations of these restaurants or cash flows relating to any of these restaurants. The Company revised the estimated useful lives of these assets to reflect the shortened useful lives and recorded additional depreciation expense of approximately $428 during the fiscal year ended March 30, 2003. Pursuant to the termination provisions of certain of the lease agreements with Home Depot, the Company received payments of $184.

Following is a summary of the results of operations for these seven restaurants for the fiscal years ended March 30, 2003 and March 31, 2002:

	2003	2002
Revenues	$ 3,096	$ 4,099
(Loss) income before income taxes (A)	$ (166)	$ 316

(A)- (Loss) income before income taxes for the fiscal year ended March 30, 2003 includes additional depreciation expense of $428, as a result of revising the estimated useful lives of these restaurants.

(in thousands, except share and per share amounts)

NOTE F (CONTINUED)

3. Discontinued Operations

As described in Notes F-1 and F-2 above, the Company has classified the results of operations of eight restaurants as discontinued operations in accordance with SFAS No. 144. The following is a summary of the results of operations for these eight restaurants for the fiscal years ended March 30, 2003 and March 31, 2002:

	2003	2002
Revenues	$ 3,543	$ 4,857
Loss before income taxes (A)	$ (206)	$ (238)

(A)- Loss before income taxes for the fiscal year ended March 30, 2003 includes additional depreciation expense of $428, as a result of revising the estimated useful lives of these restaurants.

There were no restaurants that were classified as discontinued operations during fiscal 2004.

NOTE G - ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	MARCH 28, 2004	March 30, 2003
Payroll and other benefits	$ 1,369	$ 1,324
Professional and legal costs	259	349
Self-insured retention	346	596
Rent, occupancy and lease reserve termination costs	757	739
Taxes payable	544	556
Unexpended advertising funds	440	-
Deferred marketing funds	410	396
Other	711	982
	$ 4,836	$ 4,942

(in thousands, except share and per share amounts)

NOTE G (CONTINUED)

Other liabilities consists of the following:

	MARCH 28, 2004	March 30, 2003
Deferred income - supplier contracts	$ 1,137	$ 1,148
Deferred development fees	453	170
Deferred gain on sales of fixed assets	269	183
Deferred rental liability	264	242
Tenant's security deposits on subleased property	111	88
	$ 2,234	$ 1,831

Lease Reserve Termination Costs

In connection with the Company's acquisition of Miami Subs, Nathan's planned to permanently close 18 under-performing company-owned restaurants; Nathan's expected to abandon or sell the related assets at amounts below the historical carrying amounts recorded by Miami Subs. In accordance with APB No. 16 "Business Combinations", the write-down of these assets was reflected as part of the purchase price allocation. The Company has closed or sold all 18 units. As of March 28, 2004, the Company has recorded charges to operations of approximately $1,461 ($877 after tax) for lease reserves and termination costs in connection with these properties.

Changes in the Company's reserve for lease reserve and termination costs are as follows:

	2004	2003	2002
Beginning balance	$ 529	$ 336	$ 678
Additions	80	209	30
Payments	(77)	(16)	(372)
Ending balance	$ 532	$ 529	$ 336

(in thousands, except share and per share amounts)

NOTE H - NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS

A summary of notes payable and capitalized lease obligations is as follows:

	MARCH 28, 2004	March 30, 2003
Note payable to bank at 8.5% through January 2003, 4.5% from February 2003 through January 2006 and adjusting to prime plus 0.25% in February 2006 and February 2009 and maturing in 2010	$ 986	$ 1,167
Capital lease obligations	53	59
	1,039	1,226
Less current portion	(173)	(173)
Long-term portion	$ 866	$ 1,053

The above notes are secured by the related property and equipment.

In August 2001, Miami Subs entered into an agreement with a franchisee and a bank, which called for the assumption of a note payable by the franchisee and the repayment of an existing note receivable from the franchisee. The Company guarantees the franchisee's note payable with the bank. The Company's maximum obligation for loans funded by the lender was approximately $261 as of March 28, 2004.

At March 28, 2004, the aggregate annual maturities of notes payable and capitalized lease obligations are as follows:

2005	$ 173
2006	174
2007	175
2008	176
2009	176
Thereafter	165
	$ 1,039

The Company maintains a $5,000 line of credit with its primary banking institution. Borrowings under the line of credit are intended to be used to meet the normal short-term working capital needs of the Company. The line of credit is not a commitment and, therefore, credit availability is subject to ongoing approval. The line of credit expires on October 1, 2004, and bears interest at the prime rate plus 1% (5.00% at March 28, 2004). There were no borrowings outstanding under this line of credit as of March 28, 2004.

(in thousands, except share and per share amounts)

NOTE I - OTHER EXPENSE (INCOME), NET

Included in other expense (income), in the accompanying consolidated statements of operations is (i) $45 of lease termination expense in connection with two properties for the fiscal year ended March 28, 2004, (ii) $232 in lease reserves in connection with four vacant properties for the fiscal year ended March 30, 2003 and (iii) the reversal of a previous litigation accrual of ($210) for the fiscal year ended March 31, 2002.

During the fiscal year ended March 31, 2002, the Company reversed an accrual of $210 related to its successful appeal of a previous award in an action entitled: Miami Subs Corporation or MIAMI S V. MURRAY FAMILY TRUST/KENNETH DASH PARTNERSHIP. In this case, the court found that Miami Subs breached a fiduciary duty it owed to defendants and awarded the Murray Family Trust $200. Both Miami Subs and defendants appealed the court's decision, and in November 1996, the appeal was argued before the Supreme Court of New Hampshire. In December 1997, the Supreme Court ruled in favor of Miami Subs, vacated the damage award, reversed the award of attorney fees and remanded to a trial court for a determination of damages for the alleged breach of fiduciary duty to the Murray Family Trust. In May 1998, the trial court awarded the Murray Family Trust compensatory damages in the amount of $200, which Miami Subs accrued for. Miami Subs appealed the damage award, and in December 1999, the Supreme Court of New Hampshire heard the second appeal. On February 1, 2001, the Supreme Court of New Hampshire ruled in favor of Miami Subs and vacated the damage award. The plaintiff had the right to further appeal the reversal for a period of 90 days, until May 2, 2001. No further action was taken by the plaintiff and upon passage of the 90-day period the litigation award was reversed into income.

NOTE J - INCOME TAXES

Income tax provision (benefit) consists of the following for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002:

	2004	2003	2002
Federal			
Current	$ 94	$ -	$ 985
Deferred	804	(281)	(93)
	898	(281)	892
State and local			
Current	60	46	181
Deferred	142	(48)	(16)
	202	(2)	165
	$ 1,100	$ (283)	$ 1,507

(in thousands, except share and per share amounts)

NOTE J (CONTINUED)

Total income tax provision (benefit) for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002 differs from the amounts computed by applying the United States Federal income tax rate of 34% to income before income taxes as a result of the following:

	2004	2003	2002
Computed "expected" tax (benefit) expense	$ 1,018	$ (609)	$ 833
Nondeductible amortization	37	99	169
Impairment on nondeductible favorable lease intangible assets	-	87	-
State and local income taxes, net of Federal income tax benefit	181	140	106
Tax-exempt investment earnings	(46)	(48)	(68)
Tax refunds received	(62)	-	-
Nondeductible meals and entertainment and other	(28)	48	17
	$ 1,100	$ (283)	$ 1,057

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	MARCH 28, 2004	March 30, 2003
Deferred tax assets		
Accrued expenses	$ 668	$ 672
Allowance for doubtful accounts	131	167
Impairment of notes receivable	908	855
Deferred revenue	816	806
Depreciation expense and impairment of long-lived assets	988	1,152
Expenses not deductible until paid	138	238
Amortization of intangibles	308	407
Net operating loss and other carryforwards	751	1,540
Other	65	101
Total gross deferred tax assets	$ 4,773	$ 5,938
Deferred tax liabilities		
Amortization of intangibles	-	80
Difference in tax bases of installment gains not yet recognized	196	335
Unrealized gain on marketable securities and income on investment in limited partnership	46	46
Other	2	-
Total gross deferred tax liabilities	244	461
Net deferred tax asset	4,529	5,477
Less valuation allowance	(751)	(751)
	$ 3,778	$ 4,726

NOTE J (CONTINUED)

The Company utilized net operating loss carryforwards ("NOLs") of approximately $1,965 during fiscal 2004. The determination that the net deferred tax asset of $3,778 and $4,726, at March 28, 2004 and March 30, 2003, respectively, is realizable is based on anticipated future taxable income.

At March 28, 2004, the Company had a NOL of approximately $1,289 remaining (after certain IRS agreed-upon adjustments and other reductions due to expiring losses) which is available to offset future taxable income through 2005 and general business credit carryforwards remaining of approximately $120 which may be used to offset liabilities through 2008. These losses and credits are subject to limitations imposed under the Internal Revenue Code pursuant to Sections 382 and 383 regarding changes in ownership. As a result of these limitations, the Company has recorded a valuation allowance for the Miami Subs loss carryforwards and credits related to the acquisition of Miami Subs. The valuation allowance also includes various state NOL's related to the post-acquisition losses of Miami Subs not utilized on a consolidated basis and carried forward on a state basis.

NOTE K - STOCKHOLDER'S EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS

1. Stock Option Plans

On December 15, 1992, the Company adopted the 1992 Stock Option Plan (the "1992 Plan"), which provides for the issuance of incentive stock options ("ISO's") to officers and key employees and nonqualified stock options to directors, officers and key employees. Up to 525,000 shares of common stock have been reserved for issuance under the 1992 Plan. The terms of the options are generally ten years, except for ISO's granted to any employee, whom prior to the granting of the option, owns stock representing more than 10% of the voting rights, for which the option term will be five years. The exercise price for nonqualified stock options outstanding under the 1992 Plan can be no less than the fair market value, as defined, of the Company's common stock at the date of grant. For ISO's, the exercise price can generally be no less than the fair market value of the Company's common stock at the date of grant, with the exception of any employee who prior to the granting of the option, owns stock representing more than 10% of the voting rights, for which the exercise price can be no less than 110% of fair market value of the Company's common stock at the date of grant.

NOTE K (CONTINUED)

On May 24, 1994, the Company adopted the Outside Director Stock Option Plan (the "Directors' Plan"), which provides for the issuance of nonqualified stock options to nonemployee directors, as defined, of the Company. Under the Directors' Plan, 200,000 shares of common stock have been authorized and issued. Options awarded to each nonemployee director are fully vested, subject to forfeiture under certain conditions and shall be exercisable upon vesting.

In April 1998, the Company adopted the Nathan's Famous, Inc. 1998 Stock Option Plan (the "1998 Plan"), which provides for the issuance of nonqualified stock options to directors, officers and key employees. Up to 500,000 shares of common stock have been reserved for issuance under the 1998 Plan.

In June 2001, the Company adopted the Nathan's Famous, Inc. 2001 Stock Option Plan (the "2001 Plan"), which provides for the issuance of nonqualified stock options to directors, officers and key employees. Up to 350,000 shares of common stock have been reserved for issuance under the 2001 Plan.

In June 2002, the Company adopted the Nathan's Famous, Inc. 2002 Stock Incentive Plan (the "2002 Plan"), which provides for the issuance of nonqualified stock options or restricted stock awards to directors, officers and key employees. Up to 300,000 shares of common stock have been reserved for issuance under the 2002 Plan.

The 1992 Plan expired with respect to the granting of new options on December 2, 2002. The 1998 Plan, the 2001 Plan, the 2002 Plan and the Directors' Plan expire on April 5, 2008, June 13, 2011, June 17, 2012 and December 31, 2004, respectively, unless terminated earlier by the Board of Directors under conditions specified in the Plan.

The Company issued 478,584 stock options to employees of Miami Subs Corporation to replace 957,168 of previously issued Miami Subs options pursuant to the merger agreement and issued 47,006 new options. All options were fully vested upon consummation of the merger. Exercise prices range from a low of $3.1875 to a high of $18.6120 per share and expire at various times through September 30, 2009.

NOTE K (CONTINUED)

2. Warrants

In November 1993, the Company granted to its Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of the Company's common stock at an exercise price of $9.71 per share, representing 105% of the market price of the Company's common stock on the date of grant, which exercise price was reduced on January 26, 1996 to $4.50 per share. The shares vested at a rate of 25% per annum commencing November 1994 and the warrant expired, unexercised in November 2003.

On July 17, 1997, the Company granted to its Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of the Company's common stock at an exercise price of $3.50 per share, representing the market price of the Company's common stock on the date of grant. The shares vested at a rate of 25% per annum commencing July 17, 1998 and the warrant expires in July 2007.

In November 1996, the Company granted to a nonemployee consultant a warrant to purchase 50,000 shares of its common stock at an exercise price of $3.94 per share, which represented the market price of the Company's common stock on the date of grant. Upon the date of grant, one-third of the shares vested immediately, one-third vested on the first anniversary thereof, and the remaining one-third vested on the second anniversary thereof. The warrant expired, unexercised, on November 24, 2001.

In connection with the merger with Miami Subs, the Company issued 579,040 warrants to purchase common stock to the former shareholders of Miami Subs. These warrants expire on September 30, 2004 and have an exercise price of $6.00 per share. The Company also issued 63,700 warrants to purchase common stock to the former warrant holders of Miami Subs, of which 18,750 remain outstanding as of March 28, 2004. The exercise price of these warrants is $16.55 per share and expire in March 2006.

(in thousands, except share and per share amounts)

NOTE K (CONTINUED)

A summary of the status of the Company's stock option plans and warrants, excluding the 579,040 warrants issued to former shareholders of Miami Subs, at March 28, 2004, March 30, 2003 and March 31, 2002 and changes during the fiscal years then ended is presented in the tables below:

	2004		2003		2002	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	Shares	Weighted-Average Exercise price	Shares	Weighted-average exercise price
Options outstanding - beginning of year	1,754,249	$ 4.01	1,821,146	$ 4.29	1,514,209	$ 3.86
Granted	65,000	4.03	40,000	3.96	307,000	3.20
Expired	(40,563)	11.67	(106,897)	7.32	(63)	6.20
Options outstanding - end of year	1,778,686	3.92	1,754,249	4.01	1,821,146	4.29
Options exercisable - end of year	1,572,268		1,502,124		1,367,479	
Weighted-average fair value of options granted		$ 1.60		$ 2.19		$ 1.30
Warrants outstanding - beginning of year	318,750	$ 4.62	318,750	$ 4.62	368,750	$ 4.53
Expired	(150,000)	4.50	-		(50,000)	3.94
Warrants outstanding - end of year	168,750	4.73	318,750	4.62	318,750	4.62
Warrants exercisable - end of year	168,750		318,750		318,750	
Weighted-average fair value of warrants granted		$ -		$ -		$ -

At March 28, 2004, 348,500 common shares were reserved for future stock option grants.

(in thousands, except share and per share amounts)

NOTE K (CONTINUED)

The following table summarizes information about stock options and warrants (excluding the 579,040 warrants issued to the Miami Subs shareholders as part of the merger consideration) at March 28, 2004:

	Options and warrants outstanding			Options and warrants exercisable	
Range of exercise prices	Number outstanding at 3/28/04	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at 3/28/04	Weighted-average exercise price
$ 3.19 to $ 4.00	1,534,558	4.9	$ 3.34	1,353,140	$ 3.37
4.01 to 6.60	382,128	1.7	5.40	357,128	5.47
6.61 to 18.61	30,750	1.3	17.30	30,750	17.30
$ 3.19 to $ 18.61	1,947,436	4.2	$ 3.99	1,741,018	$ 4.04

3. Common Stock Purchase Rights

On June 20, 1995, the Board of Directors declared a dividend distribution of one common stock purchase right (the "Rights") for each outstanding share of Common Stock of the Company. The distribution was paid on June 20, 1995 to the shareholders of record on June 20, 1995. The terms of the Rights were amended on April 6, 1998 and December 8, 1999. Each Right, as amended, entitles the registered holder thereof to purchase from the Company one share of the Common Stock at a price of $4.00 per share (the "Purchase Price"), subject to adjustment for anti-dilution. New Common Stock certificates issued after June 20, 1995 upon transfer or new issuance of the Common Stock will contain a notation incorporating the Rights Agreement by reference.

The Rights are not exercisable until the Distribution Date. The Distribution Date is the earlier to occur of (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of the Common Stock, as amended, or (ii) ten business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person becomes an Acquiring Person) following the commencement, or announcement of an intention to make a tender offer or exchange offer by a person (other than the Company, any wholly-owned subsidiary of the Company or certain employee benefit plans) which, if consummated, would result in such person becoming an Acquiring Person. The Rights will expire on June 19, 2005, unless earlier redeemed by the Company.

NOTE K (CONTINUED)

At any time prior to the time at which a person or group or affiliated or associated persons has acquired beneficial ownership of 15% or more of the outstanding shares of the Common Stock of the Company, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.001 per Right. In addition, the Rights Agreement, as amended, permits the Board of Directors, following the acquisition by a person or group of beneficial ownership of 15% or more of the Common Stock (but before an acquisition of 50% or more of Common Stock), to exchange the Rights (other than Rights owned by such 15% person or group), in whole or in part, for Common Stock, at an exchange ratio of one share of Common Stock per Right.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. The Company has reserved 9,940,178 shares of Common Stock for issuance upon exercise of the Rights.

4. Stock Repurchase Plan

On September 14, 2001, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 shares of the Company's common stock. As part of the stock repurchase plan, on April 10, 2002, the Company repurchased 751,000 shares of the Company's common stock for aggregate consideration of $2,741 in a private transaction with a stockholder. The Company completed its initial Stock Repurchase Plan at a cost of approximately $3,670 during the fiscal year ended March 30, 2003. On October 7, 2002, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 additional shares of the Company's common stock. Purchases of stock will be made from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. The Company expects to fund these stock repurchases from its operating cash flow. Through March 28, 2004, 851,301 additional shares have been repurchased at a cost of approximately $3,251.

5. Employment Agreements

The Company and its Chairman and Chief Executive Officer entered into a new employment agreement effective as of January 1, 2000. The new employment agreement expires December 31, 2004. Pursuant to the agreement, the officer receives a base salary of one dollar and an annual bonus equal to 5% of the Company's consolidated pretax earnings for each fiscal year, with a minimum bonus of $250. The new employment agreement further provides for a three-year consulting period after termination of employment during which the officer will receive consulting payments in an annual amount equal to two thirds of the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination of his employment. The employment

NOTE K (CONTINUED)

agreement also provides for the continuation of certain benefits following death or disability. In connection with the agreement, the Company issued to the officer 25,000 shares of common stock with a fair market value at the date of grant of approximately $78.

In the event that the officer's employment is terminated without cause, he is entitled to receive his salary and incentive payment, if any, for the remainder of the contract term. The employment agreement further provides that in the event there is a change in control of the Company, as defined therein, the officer has the option, exercisable within one year after such an event, to terminate his employment agreement. Upon such termination, he has the right to receive a lump sum payment equal to the greater of (i) his salary and annual bonuses for the remainder of the employment term (including a pro rated bonus for any partial fiscal year), which bonus shall be equal to the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination; or (ii) 2.99 times his salary and annual bonus for the fiscal year immediately preceding the fiscal year termination, as well as a lump sum cash payment equal to the difference between the exercise price of any exercisable options having an exercise price of less than the current market price of the Company's common stock and such then current market price. In addition, the Company will provide the officer with a tax gross-up payment to cover any excise tax due.

The Company and its President and Chief Operating Officer entered into an employment agreement on December 28, 1992 for a period commencing on January 1, 1993 and ending on December 31, 1996. The employment agreement has been extended annually through December 31, 2004, based on the original terms, and no nonrenewal notice has been given as of May 25, 2004. The agreement provides for annual compensation of $275 plus certain other benefits. In November 1993, the Company amended this agreement to include a provision under which the officer has the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and the President of Miami Subs, pursuant to the merger agreement, entered into an employment agreement on September 30, 1999 for a period commencing on September 30, 1999 and ending on September 30, 2002. The agreement provides for annual compensation of $200 plus certain other benefits and automatically renews annually unless 180 days prior written notice is given to the employee. No nonrenewal notice has been given as of May 25, 2004. The agreement includes a provision under which the officer has the right to terminate the agreement and receive payment equal to approximately three times his annual compensation upon a change in control, as defined. In the event a nonrenewal notice is delivered, the Company must pay the officer an amount equal to the employee's base salary as then in effect.

NOTE K (CONTINUED)

The Company and one executive of Miami Subs entered into a change of control agreement effective November 1, 2001 for annual compensation of $130 per year. The agreement additionally includes a provision under which the executive has the right to terminate the agreement and receive payment equal to approximately three times his annual compensation upon a change in control, as defined.

The Company and another executive of Miami Subs entered into an employment agreement effective August 1, 2001 for a period commencing on the date of the agreement and ended on September 30, 2003 and for compensation at $90 per year. The agreement also provided for certain other benefits. The agreement additionally included a provision under which the executive had the right to terminate the agreement and receive payment equal to the employee's annual compensation upon a change in control, as defined. Upon termination of the employment agreement, this employee remained an employee of the Company.

Each employment agreement terminates upon death or voluntary termination by the respective employee or may be terminated by the Company upon 30-days' prior written notice by the Company in the event of disability or "cause," as defined in each agreement.

6. 401(k) Plan

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all nonunion employees over age 21 who have been employed by the Company for at least one year. Employees may contribute to the plan, on a tax-deferred basis, up to 15% of their total annual salary. Company contributions are discretionary. Beginning with the plan year ending February 28, 1994, the Company elected to match contributions at a rate of $.25 per dollar contributed by the employee on up to a maximum of 3% of the employee's total annual salary. Employer contributions for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002 were $21, $25 and $36, respectively.

7. Other Benefits

The Company provides, on a contributory basis, medical benefits to active employees. The Company does not provide medical benefits to retirees.

(in thousands, except share and per share amounts)

NOTE L - COMMITMENTS AND CONTINGENCIES

1. Commitments

The Company's operations are principally conducted in leased premises. The leases generally have initial terms ranging from 5 to 20 years and usually provide for renewal options ranging from 5 to 20 years. Most of the leases contain escalation clauses and common area maintenance charges (including taxes and insurance). Certain of the leases require additional (contingent) rental payments if sales volumes at the related restaurants exceed specified limits. As of March 28, 2004, the Company has noncancelable operating lease commitments, net of certain sublease rental income, as follows:

	Lease commitments	Sublease income	Net lease commitments
2005	$ 3,871	$ 2,075	$ 1,796
2006	3,682	1,990	1,692
2007	3,485	1,895	1,590
2008	2,855	1,593	1,262
2009	1,904	1,089	815
Thereafter	3,643	2,512	1,131
	$ 19,440	$ 11,154	$ 8,286

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,584, $2,340 and $2,734 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

The Company also owns or leases sites, which it in turn subleases to franchisees which expire on various dates through 2016 exclusive of renewal options. The Company remains liable for all lease costs when properties are subleased to franchisees.

The Company also subleases locations to third parties. Such sub-leases provide for minimum annual rental payments by the Company aggregating approximately $2,081 and expire on various dates through 2010 exclusive of renewal options.

NOTE L (CONTINUED)

Contingent rental payments on building leases are typically made based on the percentage of gross sales on the individual restaurants that exceed predetermined levels. The percentage of gross sales to be paid and related gross sales level vary by unit. Contingent rental expense was approximately $67, $88 and $129 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

2. Guarantees

The Company guarantees certain equipment financing for franchisees with a third-party lender. The Company's maximum obligation, should the franchisees default on the required monthly payment to the third-party lender, for loans funded by the lender, as of March 28, 2004, was approximately $305. The equipment financing expires at various dates through fiscal 2008.

The Company also guarantees a franchisee's note payable with a bank. The note payable matures in fiscal 2007. The Company's maximum obligation, should the franchisee default on the required monthly payments to the bank, for loans funded by the lender, as of March 28, 2004, was approximately $261.

The guarantees referred to above were entered into by the Company prior to December 31, 2002 and have not been modified since that date, which was the effective date for FIN 45 "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others."

3. Contingencies

An employee of a Miami Subs franchised restaurant, commenced an action for unspecified damages in the United States District Court, Southern District of Florida in January 2004 against Miami Subs Corporation, Miami Subs USA, Inc. , Nadia M. Investments, Inc. and DYV SYS International, Inc., both Miami Subs franchisees ("the franchisees"), claiming that he was not paid overtime when he worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with the law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to Plaintiff and defend against this action vigorously.

NOTE L (CONTINUED)

An action has been commenced, in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD Corporation, a Miami Subs franchisee ("the franchisee") claiming negligence in connection with a slip and fall which allegedly occurred on the premises of the franchisee for unspecified damages. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisee is obligated to indemnify Miami Subs and hold it harmless against claims asserted and procure an insurance policy which names Miami Subs as an additional insured. Miami Subs has denied any liability to plaintiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted. The insurer has agreed to indemnify and defend Miami Subs and has assumed the defense of this action for Miami Subs.

Miami Subs has received a claim from a landlord for a franchised location that Miami Subs owes the landlord $150 in connection with the construction of the leased premises. Miami Subs has been the primary tenant at the location since 1993, when the lease was assigned to Miami Subs by the initial tenant under the lease, the party to whom the construction loan was made. To date, the landlord has not commenced legal action. Miami Subs intends to continue to dispute its liability for the construction loan and to vigorously defend any legal action.

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of $1,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Nathan's Famous, Inc. intends to deny any liability and defend this action vigorously. Nathan's Famous, Inc. has submitted this claim to its insurance carrier with the expectation that it will be covered by its employment practices liability insurance policy.

The Company is involved in various other litigation in the normal course of business, none of which, in the opinion of management, will have a significant adverse impact on its financial position or results of operations.

NOTE M - RELATED PARTY TRANSACTIONS

As of March 28, 2004, Miami Subs leased two restaurant properties from Kavala, Inc., a private company owned by the estate of Gus Boulis, a former shareholder of Miami Subs. Future minimum rental commitments due to Kavala at March 28, 2004 under these existing leases was approximately $1,074. Rent expense under these two leases amounted to $206, $198 and $182 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

Mr. Donald L. Perlyn has been an officer of Miami Subs since 1990, a Director since 1997 and President and Chief Operating Officer since July 1998. Mr. Perlyn has been a director of Nathan's since October 1999. Mr. Perlyn served as a member of the Board of Directors of Arthur Treacher's, Inc. until March 2002 when Arthur Treacher's, Inc. was sold in a private transaction. Miami Subs has been granted certain exclusive co-branding rights by Arthur Treacher's, Inc. and Mr. Perlyn had been granted options to acquire approximately 175,000 shares of Arthur Treacher's, Inc. common stock. These options were converted into options of the entity that sold Arthur Treacher's, Inc.

A firm on which Mr. Howard M. Lorber serves as chairman of the board of directors, and the firm's affiliates received ordinary and customary insurance commissions aggregating approximately $26, $41 and $41 for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002, respectively.

NOTE N - SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of fiscal 2004, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable, certain fixed assets and certain intangible assets. In connection therewith, impairment charges on certain notes receivable of $108 and impairment charges on fixed assets of $25 were recorded in the fourth quarter. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

During the fourth quarter of fiscal 2003, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable, certain fixed assets and certain intangible assets. In connection therewith, impairment charges on certain notes receivable of $883 and impairment charges on fixed assets of $896 were recorded in the fourth quarter. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

NOTE N - SIGNIFICANT FOURTH QUARTER ADJUSTMENTS (CONTINUED)

During the fourth quarter of fiscal 2002, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable and certain fixed assets. In connection therewith, impairment charges on certain notes receivable of $185 and impairment charges on fixed assets of $685 were recorded in the fourth quarter. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

(in thousands, except share and per share amounts)

NOTE O - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2004				
TOTAL REVENUES (a)	$ 8,991	$ 8,703	$ 6,511	$ 6,474
GROSS PROFIT (b)	2,000	1,955	1,026	1,009
NET INCOME	$ 744	$ 856	$ 237	$ 57
PER SHARE INFORMATION				
NET INCOME PER SHARE				
BASIC (c)	$ .14	$ .16	$ .04	$ .01
DILUTED (c)	$ .14	$ .15	$ .04	$ .01
SHARES USED IN COMPUTATION OF NET INCOME PER SHARE				
BASIC (c)	5,370,000	5,313,000	5,286,000	5,255,000
DILUTED (c)	5,478,000	5,593,000	5,742,000	5,901,000
Fiscal Year 2003				
Total revenues (a)	$ 9,639	$ 9,516	$ 7,493	$ 7,124
Gross profit (b)	2,397	2,665	1,674	1,434
Net income (loss)	$ (11,992)	$ 110	$(106)	$ (1,980)
Per share information				
Net income (loss) per share				
Basic (c)	$ (1.89)	$ .02	$ (.02)	$ (.36)
Diluted (c)	$ (1.89)	$ .02	$ (.02)	$ (.36)
Shares used in computation of net (loss) income per share				
Basic (c)	6,354,000	6,105,000	5,878,000	5,568,000
Diluted (c)	6,354,000	6,229,000	5,878,000	5,568,000

(a) Total revenues were adjusted from amounts previously reported to reflect a reclassification of rebates from cost of sales to sales. This reclassification had no impact on gross profit or net income.

(b) Gross profit represents the difference between sales and cost of sales.

(c) The sum of the quarters does not equal the full year per share amounts included in the accompanying consolidated statements of operations due to the effect of the weighted average number of shares outstanding during the fiscal years as compared to the quarters.

Nathan's Famous, Inc. and Subsidiaries

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Fifty-two weeks ended March 28, 2004, March 30, 2003 and fifty-three weeks ended March 31, 2002

(in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
Description	Balance at beginning of period	(1) Additions charged to costs and expenses	(2) Additions charged to other accounts	Deductions	Balance at end of period
FIFTY-TWO WEEKS ENDED MARCH 28, 2004					
ALLOWANCE FOR DOUBTFUL ACCOUNTS - ACCOUNTS RECEIVABLE	$ 418	$ -	$ -	$ 90(a)	$ 328
LEASE RESERVE AND TERMINATION COSTS	$ 529	$ 80	$ -	$ 77(c)	$ 532
Fifty-two weeks ended March 30, 2003					
Allowance for doubtful accounts - accounts receivable	$ 644	$ 82	$ 27(b)	$ 308(a)	$ 418
Lease reserve and termination costs	$ 336	$ 209	$ -	$ 16(c)	$ 529
Fifty-three weeks ended March 31, 2002					
Allowance for doubtful accounts - accounts receivable	$ 880	$ 267	$ 27(b)	$ 530(a)	$ 644
Lease reserve and termination costs	$ 678	$ 30	$ -	$ 372(c)	$ 336

(a) Uncollectible amounts written off/ Recoveries of bad debts

(b) Provision charged to advertising fund

(c) Payment of lease termination and other costs

Exhibit 14

NATHAN'S FAMOUS, INC.
CODE OF BUSINESS CONDUCT

I. INTRODUCTION

A. Code of Business Conduct

The Company's Code of Business Conduct (the "Code") is a statement of the Company's policies and procedures for conducting its business in a legal and ethical manner. It has been issued to all employees in order to reaffirm the Company's existing policies relating to ethical standards and business practices.

The Code includes provisions from existing corporate policies to provide an accessible reference for all employees. Certain corporate policies set forth more detailed information on subjects covered by the Code.

All policies and procedures in the Code apply to all employees and agents of the Company, its subsidiaries, divisions and affiliates (collectively the "Company"), whether operating inside or outside of the United States. References to employees in the Code also include agents.

The Company expects you, and all its other employees, to observe high ethical standards in the performance of your respective duties, and to observe all laws and regulations governing business transactions and practices. The Company expects you to act in good faith, responsibly, with due care, competence and diligence, without misrepresenting or omitting material facts or allowing your independent judgment to be compromised or subordinated and to pro-actively promote ethical behavior among your subordinates and peers. The Company's policy is to prevent the occurrence of illegal or unethical behavior, to halt any illegal or unethical behavior that may occur as soon as reasonably possible after its discovery, and to discipline those who violate the Code, including individuals responsible for the failure to exercise proper supervision and oversight to detect and report a violation by their subordinate employees. Discipline may, when appropriate, include termination.

B. Guidance and Interpretation

Government regulation of business activities continues to increase, which results in more complex laws, regulations and procedures. Accordingly, whenever the legality or propriety of any proposed course of conduct which you are involved in is subject to question, it is incumbent upon you to obtain advice concerning these policies from the person to whom you report, and, when appropriate, to request advice from the Company's General Counsel. If you have a question regarding the applicability or interpretation of the Code you should utilize the procedures specified in the section entitled "IMPLEMENTATION OF THE CODE".

THE CODE IS NOT A CONTRACT, AND IS NOT INTENDED TO CREATE ANY CONTRACTUAL OBLIGATIONS ON THE PART OF THE COMPANY OR ITS SUBSIDIARIES OR AFFILIATES. THE CODE ALSO

DOES NOT ALTER THE EXISTING AT-WILL EMPLOYMENT RELATIONSHIP BETWEEN THE COMPANY AND YOU.

II. COMPLIANCE WITH THE LAW

As an employee of the Company, you are required to comply with applicable laws, rules and regulations for federal, state, and local governments applicable to the Company, and with the rules and regulations of private and public regulatory agencies having jurisdiction over the Company, as well as the highest standards of business ethics and conduct in every country in which the Company does business. You cannot justify or be excused from the consequences of an action which is prohibited by the Company by saying that you were ordered to perform the action by someone higher in authority. No one is ever authorized by the Company to direct you to commit a prohibited act. You are responsible for your own actions. You must acquaint yourself with the legal standards and restrictions applicable to your assigned duties and responsibilities, and conduct yourself accordingly. You also should understand that compliance with the letter of the law, but not the spirit, is insufficient. Even the appearance of unethical or inappropriate behavior could have a negative impact on the Company and its employees.

III. CONFLICTS OF INTEREST

You must engage in honest and ethical conduct and avoid any investment, interest, or association that might cause an actual or apparent conflict of interest between your personal relationships and your obligation to perform your responsibilities in the best interests of the Company. Specifically:

(1) You shall deal with all suppliers, customers, and all other persons doing business with the Company in a completely fair and objective manner without favor or preference based upon personal financial considerations.

(2) You shall not accept from or give to any supplier, customer or competitor any gift or entertainment (except as permitted under the section of the Code on "GIFTS AND ENTERTAINMENT").

(3) You shall not do business with a close relative on behalf of the Company, unless the transaction is on arms-length terms and is disclosed, in writing, to the President of the Company (and so long as the Company's legal counsel determines that the transaction is not inconsistent with the purposes of this policy).

(4) You shall not, directly or indirectly, own any financial interest in or hold any employment or managerial position with any firm or corporation which is a competitor of or which does or seeks to do business with the Company if such interest or position may influence any decision that you might make in the performance of your duties.

(5) You have the affirmative duty to disclose to the corporate officer responsible for your function, the existence of any personal material, financial interest in, or employment or managerial position with any firm or corporation which is a competitor of or which seeks to do or does business with the Company. Each corporate officer shall review each such case with the Company's legal counsel, and they shall determine whether the existence of such interest or position is or may be in conflict with this policy or otherwise detrimental to the best interests of the Company or any of its operations. If it is determined that such conflict or detrimental effect may occur, such steps as are necessary to correct the situation will be immediately instituted.

IV. TRADE SECRETS AND CONFIDENTIAL INFORMATION

The disclosure of trade secrets and confidential information regarding the Company's business operations, whether intentional or accidental, can adversely affect the financial stability of the Company and the job security of its employees. Because of this risk of harm to the Company and its employees, you shall not, without the prior written consent of the Company, during the term of your employment or afterwards, use, directly or indirectly, for your benefit or the benefit of others, or disclose to others, any trade secrets or confidential information which you obtained during the course of your employment, including by participating in Internet "chat rooms," through postings on Internet message boards or otherwise.

You shall return any of the Company's confidential information at the Company's request or upon any termination of your employment.

V. GIFTS AND ENTERTAINMENT

You shall not seek or accept, or offer or give any payments, fees, loans, services or gifts from or to any person or firm as a condition or result of doing business with the Company. The Company's policy is intended to permit gifts of reasonable value, normal business meals and entertainment, the exchange of customary reciprocal courtesies between employees of the Company and their business associates, and similar customary and reasonable expenditures to promote general business goodwill.

Reasonable expenditures for gifts to, and the entertainment of business contacts by Company employees may be made if the expenditures have been appropriately authorized and are correctly recorded on the books of the paying entity. However, entertainment or gifts shall not be of substantial monetary value nor exceed that value customarily and openly provided by responsible competitors of the Company in the area involved.

With respect to gifts to, and entertainment of, government officials or employees, this policy is subject to the provisions of "UNITED STATES GOVERNMENT PAYMENTS" and "FOREIGN GOVERNMENT PAYMENTS."

VI. ACCURACY AND INTEGRITY OF REPORTS, BOOKS, RECORDS AND ACCOUNTS

All employees must perform their responsibilities with a view to causing periodic reports and documents filed with or submitted to the Securities and Exchange Commission and all other public communications made by the Company to contain information which is accurate, complete, fair, objective, relevant, timely and understandable.

All of the Company's books, records, accounts and financial statements must accurately reflect the nature of the transactions recorded and must conform both to applicable legal and accounting requirements and to the Company's system of internal controls. All assets and liabilities of the Company must be recorded in the regular books of account. No undisclosed or unrecorded fund or asset shall be established in any amount for any purpose. No false or artificial entries shall be made for any purpose. No payment shall be made, or purchase price agreed to, with the intention or understanding that any part of such payment is to be used for any purpose other than that described in the document supporting the payment.

This policy is not limited to accounting and auditing personnel. It applies to all employees, including anyone negotiating and authorizing sales and purchase contracts, submitting expense reports, or preparing or paying invoices. All employees are responsible to report to the Company any concerns regarding questionable accounting and auditing matters that may come to their attention.

You may submit a good faith complaint regarding accounting or auditing matters without fear of dismissal or retaliation of any kind. The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. The Company's Audit Committee will oversee treatment of employee concerns in this area.

In order to facilitate the reporting of employee complaints, the Company's Audit Committee has established procedures for (1) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters ("Accounting Matters") and (2) the confidential, anonymous submission by employees of concerns regarding questionable Accounting Matters. If you have any concerns regarding questionable Accounting Matters, you are encouraged to report your concerns by using the toll-free number established by the Company for that purpose. (See "IMPLEMENTATION OF THE CODE-Reporting of Violations," below.)

Examples of questionable Accounting Matters include, without limitation, the following:

- fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;

- - fraud or deliberate error in the recording and maintaining of financial records of the Company;

- - deficiencies in or noncompliance with the Company's internal accounting controls;

- - misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or

- - deviation from full and fair reporting of the Company's financial condition.

Should you make a complaint, it will be forwarded to the Chairman of the Audit Committee who will (i) determine whether the complaint actually pertains to Accounting Matters and (ii) when the complaint is not made anonymously, acknowledged receipt of the complaint to the sender. Complaints relating to Accounting Matters will be reviewed under Audit Committee direction and oversight by the Company's Independent Auditor, legal counsel, or such other person as the Audit Committee determines to be appropriate. Confidentiality will be maintained as required by law. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.

The Company will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints regarding Accounting Matters or otherwise specified in Section 806 of the Sarbanes-Oxley Act of 2002.

The Company's legal counsel will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report thereof for the Audit Committee. Copies of complaints and such log will be maintained in accordance with the Company's document retention policy.

VII. POLITICAL CONTRIBUTIONS

It is Company Policy that:

(1) No Company funds or services shall be paid or furnished to any political party or any candidate for or incumbent in any public office for political purposes except as expressly permitted pursuant to paragraph (2) of this provision. Although you are permitted to make personal contributions, the Company shall not reimburse you for any such contribution.

(2) (a) For United States:

(i) Federal Elections:

It is unlawful for the Company to make a contribution or expenditure in connection with any United States federal election, or in connection with any primary election or political convention held to select candidates for any federal office.

(ii) State and Local Elections:

No contributions of the Company's funds or resources to state or local officials or candidates shall be made without the prior written approval of the Chairman of the Board and Company's legal counsel.

(b) For Foreign Countries:

No deviation from the prohibitions set forth in paragraph (1) of this provision may be made in any country outside of the United States without the prior written approval of the Company's legal counsel. Approval shall be given only after there has been a determination that such payment or the furnishing of such services is consistent with the laws and highest standards of business ethics and conduct of the country involved.

VIII. UNITED STATES GOVERNMENT PAYMENTS

You shall not directly or indirectly give, offer or promise any form of bribe, gratuity, or kickback to a United States official or employee, or any state, local, or municipal official or employee.

IX. FOREIGN GOVERNMENT PAYMENTS

The Company competes on the basis of price, quality, and service. Therefore, it is the policy of the Company to comply with the United States Foreign Corrupt Practices Act, and with local law applicable to governmental payments. It is the Company's policy that you and its other employees shall not directly or indirectly pay, give or offer money or anything of value to any foreign government officer, employee or representative, or to any foreign political party or candidate for or incumbent in any foreign political office, in order to assist in obtaining, retaining or directing business.

X. EQUAL EMPLOYMENT OPPORTUNITY LAWS

It is the policy of the Company to provide employment opportunities without regard to race, color, religion, sex, national origin, age, disability, marital status, citizenship status, sexual orientation or status as a Vietnam-Era Veteran or Disabled Veteran, or any protected characteristics set forth by local, state and federal fair employment practice statutes.

XI. HARASSMENT

It is the policy of the Company to maintain a work environment free from harassment and/or intimidation of any type. The Company believes that every employee has the right to work in an environment totally free of discrimination, sexual harassment, and ethnic, racial, discriminatory, or sex-oriented joking or epithets. Such conduct does not advance the purpose of our Company. It is also morally wrong and may subject the Company to legal exposure. It is part of every employee's responsibility to maintain a work place that is free of any form of sexual harassment. Therefore, you are required to report all incidents of harassment. Furthermore, supervisory favoritism of any kind toward any applicant or employee as a result of sexual conduct is strictly forbidden. As a supervisor, you must discuss this policy with the people who work for you and advise them that they should not tolerate insulting, degrading or offensive treatment.

Sexual Harassment consists of unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:

- - Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment or

- - Submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or

- - Such conduct has the purpose to effect or unreasonably interfere with an individual's work performance or creating an intimidating, hostile or offensive working environment.

Sexual Harassment takes many different forms, the following are examples of prohibited conduct:

Verbal: Sexual innuendoes, degrading words, graphic or suggestive comments about a person's dress or body, jokes of a sexual nature, sexual propositions, threats, etc.

Non-Verbal: Display of pornographic or sexually suggestive objects or pictures, suggestive or insulting sounds, leering, whistling, obscene gestures.

Physichal: Unwanted physical contact, including touching, pinching, brushing up against the body, coerced sexual intercourse, assault or comments about such behavior.

Sexual harassment may be overt or subtle; verbal, non-verbal or physical. Regardless of its nature, the Company will not tolerate sexual harassment.

If you believe that you were subjected to sexual harassment, you are encouraged to follow these guidelines:

- Report the harassment to your immediate supervisor or the department head or the Human Resources Director. Management will investigate the complaint thoroughly in a confidential manner, documenting all information provided. Only those persons necessary for the investigation will be involved in the process. If necessary, dependent upon the severity of the offense and the outcome of Management's investigation the Company's legal counsel will be called in to the investigation process.

- Alternatively, you may report instances of harassment using the toll-free number established by the Company for that purpose. (See "IMPLEMENTATION OF THE CODE-Reporting of Violations," below.)

Employees will not be subject to any form of retaliation or discipline for filing a sexual harassment complaint. If the Company determines that a complaint is valid, it will take appropriate measures in response. Consequently, if you engage in this type of prohibited conduct you will be subject to disciplinary action, up to and including termination.

XII. COMMERCIAL TRANSACTIONS

You have an obligation to deal with the Company's customers and suppliers in a consistently legal, fair, and honorable manner. All contractual arrangements and transactions with third parties, such as distributors, customers, or consultants, must be formalized in a written contract or purchase order which provides for services that are in fact to be performed, and for reasonable fees. No commission payment shall be made in excess of those required in the ordinary course of business, and such payments shall be made strictly in accordance with the Company's approval process. Neither the Company nor any employee shall make any payment for the benefit of any supplier, customer, distributor, or other person for the purpose of inducing that person to act against the interest of his or her employer.

XIII. HEALTH AND SAFETY LAWS

The Company is committed to providing its employees with a safe and healthy work environment. You shall comply with all applicable occupational health and safety laws and regulations.

XIV. ANTITRUST LAWS

The Company has consistently maintained a policy of strict compliance with all aspects of the anti-trust laws. U.S. anti-trust laws govern the Company's conduct and transactions in dealing with competitors, customers and suppliers. Severe criminal and civil penalties may be imposed on the Company and on its employees if an employee authorizes or participates in a violation of the anti-trust laws. Therefore, it is important to understand and strictly follow this policy so the Company and its employees may avoid even the appearance of an anti-trust violation.

In order to avoid activities that may raise inferences of a violation or result in allegations of a violation of antitrust laws, the following policies shall apply:

(1) You shall not enter into any understanding, agreement, plan, or scheme which you have reason to believe or have been advised by counsel for the Company is illegal under any of the antitrust laws.

(2) You shall not exchange or discuss with any competitor information relating to Company prices or pricing policies, distribution policies, supplier or customer selection or classifications, credit policies, or any other similar competitive information.

(3) You shall not knowingly participate in any formal or informal meetings with third parties at which agreements or understandings of the type described in Paragraph 1 are being made or at which information of the type described in Paragraph 2 is being exchanged or discussed.

XV. ENVIRONMENTAL LAWS

It is the policy and practice of the Company to promote the protection of people and the environment as a part of everything we do and every decision we make. The Company's goal is to avoid creating any situation that may lead to unacceptable environmental, health, or safety hazards for employees, the public, or the environment. Accordingly, all employees of the Company, and all of its facilities and operations, shall comply with all applicable environmental laws, rules, and regulations, including those dealing with emissions to the atmosphere, discharges to surface or underground waters or publicly owned treatment works, drinking water supplies, solid and hazardous waste management, releases of hazardous substances, community emergency response planning, and toxic substances control.

XVI. SECURITIES TRADING

The Company encourages investment in its publicly traded securities by those associated with the Company. However, you shall not, regardless of your position with the Company, purchase or sell, directly or indirectly through third persons, the Company's securities on the basis of material information known to you but not known to the public. If you possess material non-public information concerning a corporation, it is illegal for you to trade in securities of the corporation. All directors, officers and employees of the Company, and third parties who are in a confidential relationship with the Company, shall not trade in or recommend the purchase or a sale of the Company's common shares (or any other securities) while they are in possession of "material information" regarding the operations or prospects of the Company that has not been publicly disclosed and disseminated to the investment community, nor shall they trade in or recommend the sale of such securities on the basis of rumors. In addition, such persons shall not participate in discussions in Internet "chat rooms," post messages on message boards or otherwise circulate rumors (whether or not true) which could affect the price of the Company's common stock or other securities.

All directors, officers and employees of the Company, and third parties who are in a confidential relationship with the Company shall also similarly abstain from trading in, or recommending the purchase or sale of the securities of any other corporation which they have obtained unpublicized "material information" as a result of their employment by the Company.

"Material information" is information which, if publicly disclosed, could reasonably be expected to affect the market value of a corporation's securities or to influence investor decisions with respect to those securities. Specific examples of "material information" include generally unanticipated changes in annual and quarterly earnings or dividend rates, significant acquisitions, proposed tender offers or stock splits, and senior management changes. Information regarding major new products, contract awards, expansion plans, or significant litigation or regulatory proceedings may also fall in the category of "material information".

XVII. IMPLEMENTATION OF THE CODE

A. Human Resource Director

The Human Resource Director is responsible for implementation of the Company's compliance program, including the Code.

B. Questions Regarding the Code

An employee who has a question regarding the applicability or interpretation of the Code should direct the question to:

- his or her manager;

- another managerial employee; or

Questions may also be directed to the Human Resource Director, either in person, in writing or by calling 516-338-8500 or the company's legal counsel, Kramer, Coleman, Wactlar & Lieberman, P.C., 516-822-4820, Attention: Nancy D. Lieberman.

C. Reporting of Violations

If an employee knows of a violation or possible violation of the Code, the employee should immediately report it to:

- his or her manager;
- another managerial employee;
- the Board of Directors; or
- by calling 1-888-883-1499 in the United States. This toll-free number operates 24 hours per day, 7 days per week, 365 days per year.

An employee may also report a violation or possible violation of the Code directly to the Human Resource Director or the President. Any manager receiving such a report must, when appropriate, immediately advise the Human Resource Director or President. There shall be no reprisals for good faith reporting of actual or possible violations of the Code.

D. Investigation of Violations

All reported violations of the Code will be promptly investigated by the Company and will be treated confidentially to the extent consistent with the Company's interests and as required by law. All investigations by the Company of wrongdoing will be directed by the Human Resource Director. You are expected to cooperate in the investigation of an alleged violation of the Code. If the result of the investigation indicated that corrective action is required, the Company will decide what steps it should take, including, when appropriate, legal proceedings, to rectify the problem and avoid the likelihood of its recurrence.

E. Discipline for Violations

Disciplinary actions may be taken for:

- Authorization or participation in actions that violate the Code.
- Failure to report a violation of the Code.
- Refusal to cooperate in the investigation of a violation of the Code.
- Failure by a violator's supervisor(s) to detect and report a violation of the Code, if such failure reflects inadequate supervision or lack of oversight.
- Retaliation against an individual for reporting a violation of the Code.

Disciplinary action may, when appropriate, include termination.

F. Waivers of the Code

The Company's Board of Directors shall review and approve:

- Any change or waiver of the Code for the Company's executive officers or directors; and

- Any disclosure made on Form 8-K or on the Company's website regarding such change or waiver.

G. Acknowledgment

The Company requires that all employees sign an acknowledgment confirming that they have received and read the Code and understand it.

ACKNOWLEDGMENT FORM

RE: NATHAN'S FAMOUS, INC. CODE OF BUSINESS CONDUCT

I HAVE RECEIVED AND READ THE COMPANY'S CODE OF BUSINESS CONDUCT (THE "CODE"). I UNDERSTAND THAT THE CODE REPRESENTS THE POLICIES OF NATHAN'S FAMOUS, INC. I AGREE TO FOLLOW AND ADHERE TO THE CODE.

SIGNED: _________________________

NAME: _________________________
(PRINT OR TYPE)

EMPLOYEE NUMBER: _________________________

DATE: _________________________

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Exhibit 21

Nathan's Famous, Inc.
SUBSIDIARIES

Company Name	State of Incorporation
Nathan's Famous, Inc.	Delaware
Nathan's Famous Operating Corp.	Delaware
Nathan's Famous Systems, Inc.	Delaware
Nathan's Famous Services, Inc.	Delaware
Nathan's Famous of Times Square, Inc.	New York
Nathan's Famous of New Jersey, Inc.	New Jersey
Nathan's Roadside Rest, Inc.	New York
Denek of Hicksville, Inc.	New York
Nathan's Famous of Yonkers, Inc.	New York
Nathan's Famous of Hicksville, Inc.	New York
Nathan's Famous of Kings Plaza, Inc.	New York
Nathan's Famous of Farmingdale, Inc.	New York
Nathan's Famous of Milford, Inc.	Connecticut
Nathan's Famous of 325 Fifth Avenue, Inc.	New York
Namasil Realty Corp.	New York
Nathan's Famous of H.D., Inc.	Delaware
Nathan's Famous of Crossgates, Inc.	New York
Nathan's Famous, of Lynbrook, Inc.	Delaware
Miami Subs Corporation	Florida
Miami Subs USA, Inc.	Florida
MGIII, Inc.	Florida
Miami Subs Real Estate Corp.	Florida
QSR, Inc.	Florida
Miami Subs of Delaware, Inc.	Delaware
NF Roasters Corp.	Delaware
NF Roasters of Commack, Inc.	New York
NF Roasters of Rockville Centre, Inc.	New York

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated May 26, 2004, accompanying the consolidated financial statements and schedules included in the Annual Report of Nathan's Famous, Inc. and subsidiaries on Form 10-K for the year ended March 28, 2004. We hereby consent to the incorporation by reference of said report in the Registration Statements of Nathan's Famous, Inc. on Forms S-8 (Registration Nos. 33-72066, 33-89442, 33-93396, 333-86043, 333-86195, 333-92995, 333-82760 and 333-101355).

GRANT THORNTON LLP

Melville, New York
May 26, 2004

EXHIBIT 31.1

CERTIFICATION

I, Howard M. Lorber, Chief Executive Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Nathan's Famous, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

5. The registrant's other certifying officers 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: June 24, 2004

/s/ HOWARD M. LORBER

Howard M. Lorber
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Wayne Norbitz, President and Chief Operating Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Nathan's Famous, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

5. The registrant's other certifying officers 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: June 24, 2004

/s/ WAYNE NORBITZ

Wayne Norbitz
President and Chief Operating Officer

EXHIBIT 31.3

CERTIFICATION

I, Ronald G. DeVos, Chief Financial Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Nathan's Famous, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

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

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

5. The registrant's other certifying officers 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: June 24, 2004

/s/ RONALD G. DEVOS

Ronald G. DeVos
Vice President - Finance and 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

I, Howard M. Lorber, Chief Executive Officer of Nathan's Famous, Inc., certify that:

The Form 10-K of Nathan's Famous, Inc. for the period ended March 28, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan's Famous, Inc.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Nathan's Famous, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ HOWARD M. LORBER

Name: Howard M. Lorber

Date: June 24, 2004

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

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald G. DeVos, Chief Financial Officer of Nathan's Famous, Inc., certify that:

The Form 10-K of Nathan's Famous, Inc. for the period ended March 28, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan's Famous, Inc.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Nathan's Famous, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ RONALD G. DEVOS

Name: Ronald G. DeVos

Date: June 24, 2004

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