

To Our Shareholders

Net income for the twenty-six weeks ended September 26, 2004 increased by 27.5% to \$2,040,000 or \$0.39 per basic share and \$0.34 per diluted share as compared to \$1,600,000 or \$0.30 per basic share and \$0.29 per diluted share for the twenty-six weeks ended September 28, 2003. Earnings from continuing operations of \$2,049,000 or \$0.39 per basic share and \$0.34 per diluted share for the twenty-six weeks ended September 26, 2004 as compared to \$1,603,000 or \$0.30 per basic share and \$0.29 per diluted share for the twenty-six weeks ended September 28, 2003. Total revenue from continuing operations increased by 11.2% to \$19,164,000 during the twenty-six weeks ended September 26, 2004 as compared to \$17,227,000 during the twenty-six weeks ended September 28, 2003.

Net income for the thirteen weeks ended September 26, 2004 increased by 27.3% to \$1,090,000 or \$0.21 per basic share and \$0.18 per diluted share as compared to \$856,000 or \$0.16 per basic share and \$0.15 per diluted share for the thirteen weeks ended September 28, 2003. Earnings from continuing operations of \$1,099,000 or \$0.21 per basic share and \$0.18 per diluted share for the thirteen weeks ended September 26, 2004 as compared to \$862,000 or \$0.16 per basic share and \$0.15 per diluted share for the thirteen weeks ended September 28, 2003. Total revenue from continuing operations increased by 16.7% to \$9,903,000 during the thirteen weeks ended September 26, 2004 as compared to \$8,484,000 during the thirteen weeks ended September 28, 2003.

Five fewer Company-owned restaurants operated during the twenty-six weeks ended September 26, 2004, lowering restaurant sales by approximately \$1,237,000 and improving the Company's operating profit before taxes by approximately \$148,000 (including royalties of \$25,000 and improved restaurant operating profits of \$123,000), as compared to the twenty-six weeks ended September 28, 2003.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued its growth, generating sales of approximately \$5,396,000 during the twenty-six weeks ended September 26, 2004 as compared to \$4,092,000 in the twenty-six weeks ended September 28, 2003, representing a 31.9% increase.

Restaurant franchising revenues increased by 8.9% or \$272,000 to \$3,335,000 during the twenty-six weeks ended September 26, 2004.

Other licensing revenues increased by 10.1% or \$167,000 to \$1,823,000 from license agreements for the sale of Nathan's branded hot dogs and other products during the twenty-six weeks ended September 26, 2004.

Sales were \$1,040,000 in connection with the QVC marketing program during the twenty-six weeks ended September 26, 2004. Nathan's was featured as a QVC "Today's Special Value" on May 20, 2004.

At September 26, 2004, Nathan's Famous, Inc. consisted of 343 franchised or licensed units, six company-owned units and more than 4,600 Branded Product points of sale, located in 44 states, the District of Columbia and 13 foreign countries featuring the Nathan's, Miami Subs and Kenny Rogers Roasters brands. For additional information about Nathan's, Kenny Rogers Roasters or Miami Subs please visit our website at www.nathansfamous.com

Sincerely,

Howard M. Lorber
Chairman of the Board
and Chief Executive Officer

Wayne Norbitz
President
and Chief Operating Officer

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
Summary Consolidated Statements of Earnings Data

	<u>Thirteen weeks Ended</u>		<u>Twenty-six weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>	<u>Sept. 26, 2004</u>	<u>Sept. 28, 2003</u>
Total revenues from continuing operations	\$ 9,903,000	\$ 8,484,000	\$ 19,164,000	\$ 17,227,000
Income from continuing operations	\$ 1,099,000	\$ 862,000	\$ 2,049,000	\$ 1,603,000
(Loss) income from discontinued operations	<u>\$ (9,000)</u>	<u>\$ (6,000)</u>	<u>\$ (9,000)</u>	<u>\$ (3,000)</u>
Net income (loss)	<u>\$ 1,090,000</u>	<u>\$ 856,000</u>	<u>\$ 2,040,000</u>	<u>\$ 1,600,000</u>
Basic income (loss) per share				
Income from continuing operations	\$ 0.21	\$ 0.16	\$ 0.39	\$ 0.30
Loss income from discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net income (loss)	<u>\$ 0.21</u>	<u>\$ 0.16</u>	<u>\$ 0.39</u>	<u>\$ 0.30</u>
Diluted income (loss) per share				
Income from continuing operations	\$ 0.18	\$ 0.15	\$ 0.34	\$ 0.29
Loss income from discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net income (loss)	<u>\$ 0.18</u>	<u>\$ 0.15</u>	<u>\$ 0.34</u>	<u>\$ 0.29</u>
Weighted average shares used in computing per share information				
Basic	<u>5,203,000</u>	<u>5,313,000</u>	<u>5,208,000</u>	<u>5,342,000</u>
Diluted	<u>5,924,000</u>	<u>5,593,000</u>	<u>5,918,000</u>	<u>5,536,000</u>

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
Summary Balance Sheet Data

	Sept. 26, 2004 (Unaudited)	March 28, 2004
Assets		
Current assets	\$ 17,997,000	\$ 16,317,000
Property and equipment, net	4,908,000	5,094,000
Notes receivable, net	228,000	313,000
Intangible assets, net	3,027,000	3,158,000
Other assets	<u>2,700,000</u>	<u>2,702,000</u>
Total assets	<u>\$ 28,860,000</u>	<u>\$ 27,584,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,999,000	\$ 7,132,000
Notes payable and capitalized lease obligations less current maturities	779,000	866,000
Other long-term obligations	1,905,000	2,234,000
Stockholders' equity	<u>19,177,000</u>	<u>17,352,000</u>
Total liabilities and stockholders' equity	<u>\$ 28,860,000</u>	<u>\$ 27,584,000</u>