

To Our Shareholders

Management is extremely pleased that our quarterly profits continue to surpass profits realized in the same period of the prior year, in spite of the impact that higher beef costs had on our margins.

Net income for the quarter ended June 26, 2005 increased by 23.1% to \$1,169,000 or \$0.21 per basic share and \$0.18 per diluted share as compared to \$950,000 or \$0.18 per basic share and \$0.16 per diluted share for the quarter ended June 27, 2004. Earnings from continuing operations were \$1,175,000 or \$0.21 per basic share and \$0.18 per diluted share for the quarter ended June 26, 2005 as compared to \$952,000 or \$0.18 per basic share and \$0.16 per diluted share for the quarter ended June 27, 2004. Total revenue from continuing operations increased by 22.6% to \$11,355,000 during the quarter ended June 26, 2005 as compared to \$9,265,000 during the quarter ended June 27, 2004.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued its growth. Sales increased by 69.0% to \$4,305,000 for the first quarter fiscal 2006 as compared to sales of \$2,548,000 in the first quarter fiscal 2005.

License royalties increased by 23.2% or \$218,000 to \$1,157,000 primarily from increased retail sales of Nathan's hot dogs by our existing licensee and due to new product license agreements that commenced operations over the last year.

Nathan's became the number one retail selling "premium" all beef hot dog and the third highest retail selling all beef hot dog in the United States for the fifty-two weeks ended April 16, 2005.

During the first quarter fiscal 2006, eleven new franchised units were opened, including three units in Japan, one unit in Kuwait and one unit in the United Arab Emirates.

Comparable domestic franchise sales increased by 2.2% in the first quarter fiscal 2006 as compared to the first quarter fiscal 2005.

Sales and profits from the six comparable company-owned restaurants operating at June 26, 2005, increased by approximately \$112,000 or 3.5% and \$90,000 or 18.8%, respectively, over the prior fiscal period.

At June 26, 2005, Nathan's products, were distributed in 46 states, the District of Columbia and 13 foreign countries through its restaurant system, Branded Product Program and retail licensing activities. At June 26, 2005, Nathan's restaurant system consisted of 363 franchised or licensed units and six company-owned units (including one seasonal unit) 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>	
	(Unaudited)	
	<u>June 26, 2005</u>	<u>June 27, 2004</u>
Total revenues from continuing operations	\$ 11,355,000	\$ 9,265,000
Income from continuing operations	\$ 1,175,000	\$ 952,000
(Loss) income from discontinued operations	<u>\$ (6,000)</u>	<u>\$ (2,000)</u>
Net income	<u>\$ 1,169,000</u>	<u>\$ 950,000</u>
Basic income (loss) per share		
Income from continuing operations	\$ 0.21	\$ 0.18
(Loss) income from discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net income	<u>\$ 0.21</u>	<u>\$ 0.18</u>
Diluted income (loss) per share		
Income from continuing operations	\$ 0.18	\$ 0.16
(Loss) income from discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net income	<u>\$ 0.18</u>	<u>\$ 0.16</u>
Weighted average shares used in computing per share information		
Basic	<u>5,555,000</u>	<u>5,214,000</u>
Diluted	<u>6,474,000</u>	<u>5,913,000</u>

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

	<u>June 26, 2005</u>	<u>Mar. 27, 2005</u>
	(Unaudited)	
Assets		
Current assets	\$ 24,009,000	\$ 21,618,000
Property and equipment, net	4,538,000	4,583,000
Notes receivable, net	132,000	136,000
Intangible assets, net	2,830,000	2,895,000
Other assets	<u>1,979,000</u>	<u>2,037,000</u>
Total assets	<u>\$ 33,488,000</u>	<u>\$ 31,269,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,593,000	\$ 7,609,000
Notes payable and capitalized lease obligations less current maturities	649,000	692,000
Other long-term obligations	1,528,000	1,612,000
Stockholders' equity	<u>22,718,000</u>	<u>21,356,000</u>
Total liabilities and stockholders' equity	<u>\$ 33,488,000</u>	<u>\$ 31,269,000</u>