

To Our Shareholders

Net income for the quarter ended June 27, 2004 was \$950,000 or \$0.18 per basic share and \$0.16 per diluted share as compared to \$744,000 or \$0.14 per basic and diluted share for the quarter ended June 29, 2003. Total revenues were \$9,484,000 in the first quarter ended June 27, 2004 as compared to \$8,991,000 in the first quarter ended June 29, 2003.

Four fewer Company-owned restaurants were operated during the quarter ended June 27, 2004 as compared to the quarter ended June 29, 2003. The franchising of four Company-owned restaurants lowered restaurant sales by approximately \$925,000 and improved the Company's profit before taxes by approximately \$64,000 (including royalties of \$34,000 and improved restaurant operating profits of \$30,000) as compared to the quarter ended June 29, 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 \$2,548,000 during the quarter ended June 27, 2004 as compared to \$2,220,000 in the quarter ended June 29, 2003, representing a 14.8% increase.

Sales were \$689,000 in connection with the QVC marketing program which featured Nathan's as a QVC "Today's Special Value" on May 20, 2004.

Nathan's earned higher revenues of \$104,000 or \$1,665,000 from its restaurant franchising activities and higher revenues of \$69,000 or \$939,000 from its license agreements for the sale of Nathan's branded hot dogs and other products during the quarter ended June 27, 2004.

At June 27, 2004, Nathan's Famous, Inc. consisted of 345 franchised or licensed units, 7 Company-owned units and more than 4,100 Branded Product points of sale, located throughout 45 states, the District of Columbia and 12 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>	
	(unaudited)	
	<u>June 27, 2004</u>	<u>June 29, 2003</u>
Total revenues	<u>\$ 9,484,000</u>	<u>\$ 8,991,000</u>
Earning before income taxes	<u>\$ 1,565,000</u>	<u>\$ 1,246,000</u>
Net income	<u>\$ 950,000</u>	<u>\$ 744,000</u>
Net income per share		
Basic	<u>\$ 0.18</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.14</u>
Weighted-average shares used in computing net income per share		
Basic	<u>5,214,000</u>	<u>5,370,000</u>
Diluted	<u>5,913,000</u>	<u>5,478,000</u>

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

	<u>June 27,</u>	<u>March 28,</u>
	<u>2004</u>	<u>2004</u>
	(Unaudited)	
Assets		
Current assets	\$ 16,760,000	\$ 16,317,000
Property and equipment, net	5,138,000	5,094,000
Notes receivable, net	259,000	313,000
Intangible assets, net	3,092,000	3,158,000
Other assets	<u>2,758,000</u>	<u>2,702,000</u>
Total assets	<u>\$ 28,007,000</u>	<u>\$ 27,584,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,865,000	\$ 7,132,000
Notes payable and capitalized lease obligations less current maturities	823,000	866,000
Other long-term obligations	2,104,000	2,234,000
Stockholders' equity	<u>18,215,000</u>	<u>17,352,000</u>
Total liabilities and stockholders' equity	<u>\$ 28,007,000</u>	<u>\$ 27,584,000</u>