

To Our Shareholders

For the quarter ended December 27, 2009, net income increased by 22.8% to \$1,052,000 or \$0.19 per diluted share, as compared to \$857,000 or \$0.14 per diluted share for the quarter ended December 28, 2008. Total revenue increased to \$11,224,000, as compared to \$10,620,000 during the quarter ended December 28, 2008.

For the thirty-nine weeks ended December 27, 2009, income from continuing operations increased by 17.4% to \$4,778,000 or \$0.84 per diluted share, as compared to \$4,071,000 or \$0.65 per diluted share for the thirty-nine weeks ended December 28, 2008. Total revenue from continuing operations increased to \$40,352,000, as compared to \$39,187,000 during the thirty-nine weeks ended December 28, 2008.

Net income for the thirty-nine weeks ended December 27, 2009, was \$4,778,000 or \$0.84 per diluted share, as compared to \$6,538,000 or \$1.04 per diluted share for the thirty-nine weeks ended December 28, 2008. During the prior fiscal period, Nathan's realized one-time gains, net of tax, of \$2,462,000 or \$0.39 per diluted share from the sale of its formerly wholly-owned subsidiary, NF Roasters Corporation and additional consideration from the sale of its formerly wholly-owned subsidiary, Miami Subs Corporation.

Nathan's products are currently distributed in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Cayman Islands and four foreign countries through its restaurant system, foodservice sales programs and retail licensing activities. The Nathan's restaurant system currently consists of 251 units, comprised of 246 franchised or licensed units and five company-owned units (including one seasonal unit). For additional information about Nathan's please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
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>Thirty-nine weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Dec. 27, 2009</u>	<u>Dec. 28, 2008</u>	<u>Dec. 27, 2009</u>	<u>Dec. 28, 2008</u>
Total revenues from continuing operations	\$ 11,224,000	\$ 10,620,000	\$ 40,352,000	\$ 39,187,000
Income from continuing operations	\$ 1,052,000	\$ 857,000	\$ 4,778,000	\$ 4,071,000
Income from discontinued operations	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,467,000</u>
Net income	<u>\$ 1,052,000</u>	<u>\$ 857,000</u>	<u>\$ 4,778,000</u>	<u>\$ 6,538,000</u>
Basic income per share				
Income from continuing operations	\$ 0.19	\$ 0.15	\$ 0.86	\$ 0.68
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.42</u>
Net income	<u>\$ 0.19</u>	<u>\$ 0.15</u>	<u>\$ 0.86</u>	<u>\$ 1.10</u>
Diluted income per share				
Income from continuing operations	\$ 0.19	\$ 0.14	\$ 0.84	\$ 0.65
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.39</u>
Net income	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.84</u>	<u>\$ 1.04</u>
Weighted average shares used in computing income per share				
Basic	<u>5,603,000</u>	<u>5,756,000</u>	<u>5,545,000</u>	<u>5,968,000</u>
Diluted	<u>5,680,000</u>	<u>6,022,000</u>	<u>5,718,000</u>	<u>6,268,000</u>

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

	<u>Dec. 27, 2009</u>	<u>Mar. 29, 2009</u>
	(Unaudited)	
Assets		
Current assets	\$ 43,220,000	\$ 42,198,000
Property and equipment, net	5,504,000	4,126,000
Note receivable	1,232,000	1,466,000
Intangible assets, net	1,448,000	1,448,000
Other assets, net	<u>724,000</u>	<u>586,000</u>
Total assets	<u>\$ 52,128,000</u>	<u>\$ 49,824,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,479,000	\$ 6,895,000
Other liabilities	1,472,000	1,080,000
Stockholders' equity	<u>44,177,000</u>	<u>41,849,000</u>
Total liabilities and stockholders' equity	<u>\$ 52,128,000</u>	<u>\$ 49,824,000</u>