FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 290549

Mark One

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended SEPTEMBER 28, 1997.

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the transition period from to .

Commission File Number 1-3189

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

DELAWARE	11-3166443
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)

1400 OLD COUNTRY ROAD, WESTBURY, NEW YORK 11590
(Address of principal executive offices including zip code)

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

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 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

At September 28, 1997, an aggregate of 4,722,216 shares of the registrant's common stock, par value of $.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	September 28, 1997 (Unaudited)	March 30, 1997
Current assets:		
Cash and cash equivalents including restricted cash of $273 and $280, respectively	$ 577	$ 647
Marketable investment securities	8,099	7,640
Franchise and other receivables	1,306	1,039
Inventory	223	213
Prepaid expenses and other current assets	258	502
Deferred income taxes	415	415
Total current assets	10,878	10,456
Property and equipment, net	6,132	5,480
Intangible assets, net	11,458	11,640
Other assets, net	191	218
	$ 28,659	$ 27,794
Current liabilities:		
Current maturities of long-term debt	$ 12	$ 17
Accounts payable	702	754
Accrued expenses and other current liabilities	4,521	4,614
Deferred franchise fees	170	269
Total current liabilities	5,405	5,654
Long-term debt, net of current maturities	21	21
Other Liabilities	150	143
Total liabilities	5,576	5,818
Stockholders' equity:		
Common stock, $.01 par value - 20,000,000 shares authorized, 4,722,216 issued and outstanding	47	47
Additional paid-in-capital	32,331	32,307
Accumulated deficit	(9,295)	(10,378)
Total stockholders' equity	23,083	21,976
	$ 28,659	$ 27,794

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
THIRTEEN WEEKS ENDED SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996
(In thousands, except per share amounts)
(Unaudited)

	1997	1996
Sales	$6,592	$5,957
Franchise fees and royalties	803	881
License royalties	537	304
Investment and other income	166	220
Total revenues	8,098	7,362
Costs and expenses:		
Cost of sales	3,893	3,427
Restaurant operating expenses	1,680	1,780
Depreciation and amortization	260	260
Amortization of intangible assets	103	103
General and administrative	1,150	947
Interest expense	3	12
Total costs and expenses	7,089	6,529
Earnings before income taxes	1,009	833
Provision for income taxes	400	353
Net earnings	$ 609	$ 480
Net earnings per common share	$ 0.13	$ 0.10
Weighted average number of common and common equivalent shares outstanding	4,782	4,722

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
TWENTY-SIX WEEKS ENDED SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996
(In thousands, except per share amounts)
(Unaudited)

	1997	1996
Sales	$12,499	$11,730
Franchise fees and royalties	1,474	1,694
License royalties	942	558
Investment and other income	545	352
Total revenues	15,460	14,334
Costs and expenses:		
Cost of sales	7,396	6,740
Restaurant operating expenses	3,293	3,445
Depreciation and amortization	512	521
Amortization of intangible assets	199	199
General and administrative	2,253	1,923
Interest expense	4	14
Total costs and expenses	13,657	12,842
Earnings before income taxes	1,803	1,492
Provision for income taxes	720	617
Net earnings	$ 1,083	$ 875
Net earnings per common share	$ 0.23	$ 0.19
Weighted average number of common and common equivalent shares outstanding	4,774	4,722

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
TWENTY-SIX WEEKS ENDED SEPTEMBER 28, 1997
(In thousands, except share amounts)
(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Deferred Compen-sation	Accum-ulated Deficit	Total Stock-holders' Equity
Balance, March 30, 1997	4,722,216	$ 47	$ 32,388	$ (81)	$(10,378)	$21,976
Amortization of deferred compensation relating to restricted stock				24		24
Net earnings					1,083	1,083
Balance, Sept. 28, 1997	4,722,216	$ 47	$ 32,388	$ (57)	$ (9,295)	$23,083

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
TWENTY-SIX WEEKS ENDED SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996
(In thousands)
(Unaudited)

	1997	1996
Cash flows from operating activities:		
Net earnings	$ 1,083	$ 875
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	512	521
Amortization of intangible assets	199	199
Provision for doubtful accounts	30	30
Other	24	24
Changes in assets and liabilities:		
Marketable investment securities	(459)	285
Franchise and other receivables	(297)	74
Inventory	(10)	(49)
Prepaids and other current assets	244	(30)
Accounts payable and accrued expenses	(145)	143
Deferred franchise fees	(99)	(25)
Other assets	27	21
Deferred area development fees	--	(102)
Other liabilities	7	(87)
Net cash provided by operating activities	1,116	1,879
Cash flows from investing activities:		
Purchase of property and equipment	(1,181)	(616)
Net cash used in investing activities	(1,181)	(616)
Cash flows from financing activities:		
Principal repayment of borrowings	(5)	(14)
Net cash used in financing activities	(5)	(14)
Net (decrease) increase in cash and cash equivalents	(70)	1,249
Cash and cash equivalents, beginning of period	647	801
Cash and cash equivalents, end of period	$ 577	$ 2,050
Cash paid during the period for:		
Interest	$ 4	$ 3
Income taxes	359	90

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 28, 1997

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and Subsidiaries (the "Company") for the thirteen and twenty-six week periods ended September 28, 1997 and September 29, 1996 have been prepared in accordance with generally accepted accounting principles. These financial statements include all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of financial condition, results of operations and cash flows for such periods. However, these results are not necessarily indicative of results for any other interim period or the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to the requirements of the Securities and Exchange Commission. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 1997.

In February, 1997, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share. SFAS No. 128 replaces the standard for computing earnings per share. SFAS No. 128 is effective for financial statements issued for the periods ending after December 15, 1997, including interim periods, and earlier adoption is permitted. The Company does not expect the adoption of this statement to have a material impact to its reported results.

NOTE B - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the September 28, 1997 presentation.

NOTE C - EARNINGS PER SHARE

Weighted average common shares outstanding for the thirteen weeks ended September 28, 1997 and September 29, 1996 were 4,782,219 and 4,722,216, respectively, including common stock equivalents of 60,003 and 0, respectively. Weighted average common shares outstanding for the twenty-six weeks ended September 28, 1997 and September 29, 1996 were 4,773,886 and 4,722,216, respectively including common stock equivalents of 51,670 and 0, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED SEPTEMBER 28, 1997 COMPARED TO SEPTEMBER 29, 1996

Revenues

Total sales increased 10.7% or $635,000 to $6,592,000 for the thirteen weeks ended September 28, 1997 ("second quarter fiscal 1998") from $5,957,000 for the thirteen weeks ended September 29, 1996 ("second quarter fiscal 1997"). Company-owned restaurant sales increased 2.6% or $152,000 to $6,109,000 from $5,957,000. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), increased by $233,000 or 4.4% in the second quarter fiscal 1998 versus the second quarter fiscal 1997. The Company continues to expand its local store marketing activities and value pricing strategies that were implemented last year. In August 1997, the Company opened its eighth Company-owned Home Depot restaurant in Staten Island, NY. At September 28, 1997 and September 29, 1996, there were 25 and 26 Company-owned units, respectively. Sales from the Branded Product Program that was implemented in April 1997 were $483,000 for the second quarter fiscal 1998.

Franchise fees and royalties decreased by $78,000 or 8.9% to $803,000 in the second quarter fiscal 1998 compared to $881,000 in the second quarter fiscal 1997. Franchise royalties decreased by $71,000 or 10.3% to $621,000 in the second quarter fiscal 1998 as compared to $692,000 in the second quarter fiscal 1997. Franchise restaurant sales, upon which royalties are based, were $15,015,000 in the second quarter fiscal 1998 as compared to $17,312,000 in the second quarter fiscal 1997. During the second quarter fiscal 1997, the 53 Caldor units which were closed between November 1996 and February 1997 generated sales and royalties of approximately $1,736,000 and $70,000, respectively. During the second quarter fiscal 1998, franchisees and licensees opened 7 new units. At September 28, 1997 there were 154 franchised or licensed restaurants as compared to 180 at September 29, 1996. Franchise fee income was $182,000 in the second quarter fiscal 1998 as compared to $189,000 in the second quarter fiscal 1997.

License royalties increased by $233,000 or 76.6% to $537,000 in the second quarter fiscal 1998 as compared to $304,000 in the second quarter fiscal 1997. The majority of this increase is a result of the Company's license arrangement with SMG, Inc., for the sale of Nathan's frankfurters in supermarkets. Of the total $233,000 increase, $60,000 represents amortization of the deferred fee received from SMG, Inc. in conjunction with the renegotiation of their contract which took effect January 1, 1997. The remainder of the increase is primarily attributed to royalties earned from higher sales to supermarkets by the licensee.

Investment and other income was $166,000 in the second quarter fiscal 1998 as compared to $220,000 in the second quarter fiscal 1997. The Company's investment income in the second quarter fiscal 1998 was higher than the second quarter fiscal 1997 by $82,000 due in part to the increased amount of marketable investment securities and the diverse performance of the financial markets. Other income in the second quarter fiscal 1998 was approximately $136,000 lower than the second quarter fiscal 1997. This is due primarily to lower sources of miscellaneous revenue in the second quarter fiscal 1998 and the impact of reversing an accrual for expected restaurant closing costs in the second quarter fiscal 1997.

Costs and Expenses

Cost of sales increased by $466,000 from $3,427,000 in the second quarter fiscal 1997 to $3,893,000 in the second quarter fiscal 1998. The majority of this increase is attributable to cost of product associated with the new Branded Product Program. As a percentage of restaurant sales, cost of restaurant sales were 57.5% in each of the second quarter fiscal 1998 and second quarter fiscal 1997. The Company continues to take steps to improve the margin pressures which have become essential to remain competitive in the current value conscious marketplace and to also offset the impact of the recent minimum wage increase.

Restaurant operating expenses decreased by $100,000 from $1,780,000 in the second quarter fiscal 1997 to $1,680,000 in the second quarter fiscal 1998. This decrease can be attributed to the closure of two unprofitable restaurants earlier in this fiscal year. As a percentage of restaurant sales, restaurant operating expenses were 27.5% in the second quarter fiscal 1998 as compared to 29.9% in the second quarter fiscal 1997.

Depreciation and amortization was $260,000 in the second quarter fiscal 1997 and in the second quarter fiscal 1998. Amortization of intangibles of $103,000 also remained constant in both fiscal periods.

General and administrative expenses were $1,150,000 in the second quarter fiscal 1998 as compared to $947,000 in the second quarter fiscal 1997. Approximately $70,000 of the increase relates to the effect of certain one-time benefits recognized in the second quarter fiscal 1997.

Income Tax Provision

In the second quarter fiscal 1998, the income tax provision was $400,000 or 39.6% of income before income taxes. In the second quarter fiscal 1997, the income tax provision was $353,000 or 42.4% of income before income taxes.

TWENTY-SIX WEEKS ENDED SEPTEMBER 28, 1997 COMPARED TO SEPTEMBER 29, 1996

Revenues

Total sales increased 6.6% or $769,000 to $12,499,000 for the twenty-six weeks ended September 28, 1997 ("fiscal 1998") from $11,730,000 for the twenty-six weeks ended September 29, 1996 ("fiscal 1997"). Company-owned restaurant sales increased 1.7% or $203,000 to $11,933,000 from $11,730,000. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), increased by $277,000 or 2.7%

in fiscal 1998 versus fiscal 1997. The Company has continued to expand its local store marketing activities and value pricing strategies that were implemented last year. In August 1997, the Company opened its eighth Company-owned Home Depot restaurant in Staten Island, NY. Additionally, in June 1997, the Company completed the renovation of its Yonkers, NY restaurant which is now operated as a co-branded Nathan's / Pizza Hut / TCBY. Plans are currently being developed to renovate and modernize the appearance and design of certain other units. Sales from the Branded Product Program that was implemented in April 1997 were $566,000 for fiscal 1998.

Franchise fees and royalties decreased by $220,000 or 13.0% to $1,474,000 in fiscal 1998 compared to $1,694,000 in fiscal 1997. Franchise royalties decreased by $126,000 or 9.6% to $1,190,000 in fiscal 1998 as compared to $1,316,000 in fiscal 1997. Franchise restaurant sales, upon which royalties are based, were $28,976,000 in fiscal 1998 as compared to $33,165,000 in fiscal 1997. The reductions in systemwide sales and franchise royalties are primarily attributed to the 53 Caldor units that were closed between November 1996 and February 1997. In fiscal 1997, these units generated sales and royalties of approximately $3,869,000 and $155,000, respectively. During fiscal 1998, franchisees and licensees opened 16 new units. At September 28, 1997, there were 154 franchised or licensed restaurants as compared to 180 at September 29, 1996. Franchise fee income was $284,000 in fiscal 1998 as compared to $378,000 in fiscal 1997. The majority of this difference is due to higher franchise fees being earned in fiscal 1997 associated with expired development agreements.

License royalties increased by $384,000 or 68.8% to $942,000 in fiscal 1998 as compared to $558,000 in fiscal 1997. The majority of this increase is a result of the Company's license arrangement with SMG, Inc., for the sale of Nathan's frankfurters in supermarkets. Of the total $384,000 increase, $120,000 represents amortization of the deferred fee received from SMG, Inc. in conjunction with the renegotiation of their contract which took effect January 1, 1997. The remainder of the difference is primarily attributed to royalties earned from higher sales to supermarkets by the licensee.

Investment and other income was $545,000 in fiscal 1998 as compared to $352,000 in fiscal 1997. The Company's investment income in fiscal 1998 was higher than in fiscal 1997 by $210,000 due in part to the increased amount of marketable investment securities and the diverse performance of the financial markets. The Company recognized a gain of approximately $130,000 from the sale of an underperforming restaurant in fiscal 1998 and the reversal of an accrual for expected restaurant closing costs in fiscal 1997.

Costs and Expenses

Cost of sales increased by $656,000 from $6,740,000 in fiscal 1997 to $7,396,000 in fiscal 1998. The majority of this increase is attributable to cost of product associated with the new Branded Product Program. As a percentage of restaurant sales, cost of restaurant sales were 58.2% in fiscal 1998 as compared to 57.5% in fiscal 1997. The Company continues to take steps to improve the margin erosion which has become necessary to remain competitive in the current value conscious marketplace and to offset the impact of the recent minimum wage increase.

Restaurant operating expenses decreased by $152,000 from $3,445,000 in fiscal 1997 to $3,293,000 in fiscal 1998. This decrease can be attributed to the closure of two unprofitable restaurants in fiscal 1998. As a percentage of restaurant sales, restaurant operating expenses were 27.6% in fiscal 1998 as compared to 29.4% in fiscal 1997.

Depreciation and amortization was $512,000 in fiscal 1998 as compared to $521,000 in fiscal 1997. Amortization of intangibles of $199,000 remained constant in both fiscal years.

General and administrative expenses were $2,253,000 in fiscal 1998 as compared to $1,923,000 in fiscal 1997. Approximately $145,000 of the increase relates to the effect of certain one-time benefits recognized in fiscal 1997.

Income Tax Provision

In fiscal 1998, the income tax provision was $720,000 or 39.9% of income before income taxes. In fiscal 1997, the income tax provision was $617,000 or 41.4% of income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 28, 1997 aggregated $577,000, decreasing by $70,000 during the fiscal 1998 period. At September 28, 1997, marketable investment securities totalled $8,099,000 and net working capital increased to $5,473,000 from $4,802,000 at March 30, 1997.

Cash provided by operations of $1,116,000 in fiscal 1998 to date is primarily attributable to net income of $1,083,000, non-cash charges of $765,000, including depreciation and amortization of $711,000, an increase in marketable investment securities of $459,000, an increase in franchise and other receivables of $297,000, a decrease in accounts payable and accrued expenses of $145,000, a decrease in deferred franchise fees of $99,000 which was offset by a decrease in prepaid expenses and other current assets of $244,000.

Cash used in investing activities of $1,181,000 represents property and equipment purchases relating to the construction of a new Company-owned unit which opened in August 1997, the renovation of the Yonkers, NY restaurant and other fixed asset additions.

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital for its planned operations and expansion program through fiscal 1998. The Company also maintains a $5,000,000 uncommitted bank line of credit, which has been extended to September 30, 1998. The Company has not borrowed any funds to date under this line of credit.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

In the summer of 1997, the action brought by the Company against Bay Plaza Famous, Inc. ("Bay Plaza"), Daniel Rappaport and Theodore Wenacur in the Civil Court of the City of New York, Bronx County and the counterclaims brought against the Company by Bay Plaza and Rappaport were settled for nominal consideration.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

No.	Description
27.	Financial Data Schedule

(b) Reports on Form 8-K. The Company filed the following report on Form 8-K during the period for which this report is filed.

1. Form 8-K dated September 9, 1997 relating to item 5, Extension Agreement to the employment agreement with the Chairman of the Board.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATHAN'S FAMOUS, INC.

Date: November 10, 1997 By: /s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer
(Principal Executive Officer)

Date: November 10, 1997 By: /s/ Ronald DeVos

Ronald DeVos
Vice President - Finance
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit
27	Financial Data Schedule

5
1,000

3-MOS	6-MOS
MAR-29-1998	MAR-29-1998
JUN-30-1997	MAR-31-1997
SEP-28-1997	SEP-28-1997
0	577
0	8,099
0	2,017
0	711
0	223
0	10,878
0	13,214
0	7,082
0	28,659
0	5,405
0	0
0	0
0	0
0	47
0	23,036
0	28,659
6,592	12,499
8,098	15,460
3,893	7,396
2,043	4,004
1,135	2,223
15	30
3	4
1,009	1,803
400	720
609	1,083
0	0
0	0
0	0
609	1,083
0.13	0.23
0.00	0.00