

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended JUNE 27, 2004.
- Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the transition period from----- to----- .

Commission File Number 0-3189

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 Exchange 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At August 2, 2004, an aggregate of 5,213,904 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)

	June 27, 2004 ----- (Unaudited)	March 28, 2004 -----
Current assets:		
Cash and cash equivalents including restricted cash of \$83	\$ 3,641	\$ 3,449
Marketable securities	6,654	7,477
Notes and accounts receivable, net	3,458	2,352
Inventories	644	743
Assets held for sale	506	507
Prepaid expenses and other current assets	529	463
Deferred income taxes	1,328	1,326
	-----	-----
Total current assets	16,760	16,317
Notes receivable, net	259	313
Property and equipment, net	5,138	5,094
Goodwill	95	95
Intangible assets, net	2,997	3,063
Deferred income taxes	2,507	2,452
Other assets, net	251	250
	-----	-----
	\$ 28,007	\$ 27,584
	=====	=====
Current liabilities:		
Current maturities of notes payable and capital lease obligations	\$ 173	\$ 173
Accounts payable	1,752	1,950
Accrued expenses and other current liabilities	4,638	4,836
Deferred franchise fees	302	173
	-----	-----
Total current liabilities	6,865	7,132
Notes payable and capital lease obligations, less current maturities	823	866
Other liabilities	2,104	2,234
	-----	-----
Total liabilities	9,792	10,232
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value - 30,000,000 shares authorized; 7,065,205 and 7,065,202 shares issued; 5,213,904 and 5,213,901 shares outstanding at June 27, 2004 and March 28, 2004, respectively	71	71
Additional paid-in capital	40,746	40,746
Accumulated deficit	(15,661)	(16,611)
Accumulated other comprehensive (loss) income	(20)	67
	-----	-----
	25,136	24,273
Treasury stock at cost, 1,851,301 shares	(6,921)	(6,921)
	-----	-----
Total stockholders' equity	18,215	17,352
	-----	-----
	\$ 28,007	\$ 27,584
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Thirteen weeks ended June 27, 2004 and June 29, 2003  
(In thousands, except per share amounts)  
(Unaudited)

	2004	2003
	-----	-----
Sales	\$6,654	\$6,308
Franchise fees and royalties	1,665	1,561
License royalties	939	870
Investment and other income	178	188
Interest income	48	64
	-----	-----
Total revenues	9,484	8,991
	-----	-----
Costs and expenses:		
Cost of sales	4,762	4,308
Restaurant operating expenses	838	1,182
Depreciation and amortization	218	257
Amortization of intangible assets	65	65
General and administrative expenses	2,024	1,919
Interest expense	12	14
	-----	-----
Total costs and expenses	7,919	7,745
	-----	-----
Income before income taxes	1,565	1,246
Provision for income taxes	615	502
	-----	-----
Net income	\$ 950	\$ 744
	=====	=====
PER SHARE INFORMATION		
Net income per share		
Basic	\$ 0.18	\$ 0.14
	=====	=====
Diluted	\$ 0.16	\$ 0.14
	=====	=====
Weighted average shares used in computing per share information		
Basic	5,214	5,370
	=====	=====
Diluted	5,913	5,478
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
Thirteen weeks ended June 27, 2004  
(In thousands, except share amounts)  
(Unaudited)

	Common Shares -----	Common Stock -----	Additional Paid-in Capital -----	Accumulated Deficit -----	Accumulated Other Comprehen- sive Income -----	Treasury Shares -----	Treasury Stock, at cost -----	Total Stockholders' Equity -----
Balance at March 28, 2004	7,065,202	\$ 71	\$ 40,746	\$ (16,611)	\$ 67	1,851,301	\$ (6,921)	\$ 17,352
Warrants exercised	3							
Unrealized losses on available for sale securities, net of tax benefit of \$55					(87)			(87)
Net income				950				950
Balance at June 27, 2004	7,065,205	\$ 71	\$ 40,746	\$ (15,661)	\$ (20)	1,851,301	\$ (6,921)	\$ 18,215
	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Thirteen weeks ended June 27, 2004 and June 29, 2003  
(In thousands)  
(Unaudited)

	2004	2003
	-----	-----
Cash flows from operating activities:		
Net income	\$ 950	\$ 744
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	218	257
Amortization of intangible assets	65	65
Amortization of bond premium	32	14
Provision for doubtful accounts	6	13
Loss on sale of available for sale securities	-	5
Gain on disposal of fixed assets	(24)	(94)
Deferred income taxes	(2)	6
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(1,135)	(392)
Inventories	99	7
Prepaid expenses and other current assets	(66)	85
Accounts payable and accrued expenses	(396)	(110)
Deferred franchise fees	129	4
Other assets, net	(1)	8
Other non current liabilities	(110)	304
Net cash (used in) provided by operating activities	----- (235)	----- 916
Cash flows from investing activities:		
Proceeds from sale of available for sale securities	650	500
Purchase of available for sale securities	--	(1,099)
Purchase of property and equipment	(262)	(116)
Proceeds from sale of restaurants, net	5	423
Payments received on notes receivable	77	73
Net cash provided by (used in) investing activities	----- 470	----- (219)
Cash flows from financing activities:		
Repurchase of common stock	--	(211)
Principal repayment of borrowings and obligations under capital leases	(43)	(43)
Net cash used in financing activities	----- (43)	----- (254)
Net increase in cash and cash equivalents	192	443
Cash and cash equivalents, beginning of period	3,449	1,415
Cash and cash equivalents, end of period	----- \$ 3,641	----- \$ 1,858
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	\$ 30	\$ 22
	=====	=====
Cash paid during the period for interest	\$ 12	\$ 15
	=====	=====
NONCASH FINANCING ACTIVITIES:		
Loan to franchisee in connection with sale of restaurant	\$ --	\$ 300
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 27, 2004  
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (collectively "Nathan's" or the "Company") for the thirteen week periods ended June 27, 2004 and June 29, 2003 have been prepared in accordance with accounting principles generally accepted in the United States of America. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, were necessary for a fair presentation of financial condition, results of operations and cash flows for such periods presented. 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 accounting principles generally accepted in the United States of America 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 Nathan's Annual Report on Form 10-K for the fiscal year ended March 28, 2004.

NOTE B - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued a revision to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN No. 46(R)" or the "Interpretation"). FIN No. 46(R) clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN No. 46(R) requires the consolidation of these entities, known as variable interest entities, by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

The revisions of FIN No. 46(R) (a) clarified some requirements of the original FIN No. 46, which had been issued in January 2003, (b) simplified some of the implementation problems, and (c) added new scope exceptions. FIN No. 46(R) delayed the effective date of the FIN No. 46 for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of FIN No. 46(R) to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN No. 46(R) by the end of the first reporting period ending after December 15, 2003.

FIN No. 46(R) added several new scope exceptions, including one which states that companies are not required to apply the provisions to an entity that meets the criteria to be considered a "business" as defined in FIN No. 46(R) unless one or more of four named conditions exist.

The Company has no equity ownership interests in its franchisees, and has not consolidated any of these entities in the Company's financial statements. The Company does not provide more than half of the equity, subordinated debt or other subordinated financial support to any franchise entity. The Company has further concluded that the franchise entities were not designed such that substantially all of their activities either involve or are conducted on behalf of Nathan's. As such, the Company has not consolidated any franchised entity in the financial statements. If, at some future date, Nathan's does provide more than half of the subordinated financial support to a franchise entity, consolidation would not be automatic. The franchise entity would then be subject to further testing under the guidelines of FIN No.46(R). The Company will continue to monitor developments regarding the Interpretation as they occur. The Company adopted the provisions of FIN No. 46(R) in its fourth fiscal quarter of 2004. The adoption of FIN No. 46(R) did not have a material impact on the Company's financial position and results of operations.

NOTE C - NET INCOME PER SHARE

Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding and excludes any dilutive effect of stock options or warrants. Diluted net income per common share gives effect to all potentially dilutive common shares that were outstanding during the period. Dilutive common shares used in the computation of diluted net income per common share result from the assumed exercise of stock options and warrants, using the treasury stock method.

The following chart provides a reconciliation of information used in calculating the per share amounts for the thirteen week periods ended June 27, 2004 and June 29, 2003, respectively.

THIRTEEN WEEKS

	Net Income (In thousands)		Number of Shares (In thousands)		Net Income Per Share	
	2004	2003	2004	2003	2004	2003
Basic EPS						
Basic calculation	\$ 950	\$ 744	5,214	5,370	\$ 0.18	\$ 0.14
Effect of dilutive employee stock options and warrants	-	-	699	108	(0.02)	-
Diluted EPS						
Diluted calculation	\$ 950	\$ 744	5,913	5,478	\$ 0.16	\$ 0.14

Options and warrants to purchase 761,909 and 835,566 shares of common stock in the thirteen week periods ended June 27, 2004 and June 29, 2003, respectively, were not included in the computation of diluted EPS because the exercise prices exceeded the average market price of common shares during the respective periods. These options and warrants were still outstanding at the end of the respective periods.

NOTE D - STOCK BASED COMPENSATION

At June 27, 2004, the Company had five stock-based employee compensation plans. The Company accounts for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25") and has adopted the disclosure provisions of Statement of Financial Accounting Standards ("SFAS ")No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Accordingly, no compensation expense has been recognized in the consolidated financial statements in connection with employee stock option grants.

The following table illustrates the effect on net income and earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	Thirteen Weeks Ended (In thousands)	
	June 27, 2004	June 29, 2003
Net income, as reported	\$ 950	\$ 744
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	(51)	(41)
Pro forma net income	\$ 899	\$ 703
Earnings per Share		
Basic - as reported	\$ 0.18	\$ 0.14
Diluted - as reported	\$ 0.16	\$ 0.14
Basic - pro forma	\$ 0.17	\$ 0.13
Diluted - pro forma	\$ 0.15	\$ 0.13



Pro forma compensation expense may not be indicative of pro forma expense in future years. For purposes of estimating the fair value of each option on the date of grant, the Company utilized the Black-Scholes option-pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

During the thirteen weeks ended June 27, 2004 and June 29, 2003, the Company granted 95,000 and 40,000 options having exercise prices of \$5.62 and \$3.81 per share, respectively. All of the options granted are vested as follows: 33 1/3% on the first anniversary of the date of grant, 66 2/3% on the second anniversary of the date of grant and 100% on the third anniversary of the date of grant. All options have an expiration date of ten years from the date of grant.

The weighted average option fair values and the assumptions used to estimate these values are as follows:

	Thirteen Weeks Ended (In thousands)	
	June 27, 2004	June 29, 2003
Option fair values	\$ 2.87	\$ 1.48
Expected life (years)	7.0	7.0
Interest rate	4.50%	3.83%
Volatility	29.9%	30.8%
Dividend yield	0.0%	0.0%

#### NOTE E - SALES OF RESTAURANTS

The Company observes the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," which establishes accounting standards for recognizing profit or loss on sales of real estate. SFAS No. 66 provides for profit recognition by the full accrual method, provided (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obligated to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and other methods of profit recognition shall be followed. In accordance with SFAS No. 66, the Company recognizes profit on sales of restaurants under both the installment method and the deposit method, depending on the specific terms of each sale. The Company continues to record depreciation expense on the property subject to the sales contracts that are accounted for under the deposit method and records any principal payments received as a deposit until such time that the transaction meets the sales criteria of SFAS No. 66.

During the thirteen weeks ended June 29, 2003, the Company sold two Company-owned restaurants for total consideration of \$713,000 and entered into a management agreement with a franchisee to operate a third Company-owned restaurant. As the Company expects to have a continuing stream of cash flows from these restaurants, the results of operations for these Company-operated restaurants are included in "Income before income taxes" in the accompanying consolidated statements of operations for the thirteen week period ended June 29, 2003 through the date of sale. There have been no sales of Company-owned restaurants during the thirteen weeks ended June 27, 2004.

The results of operations for these Company-owned restaurants for the thirteen week period ended June 29, 2003 are as follows (in thousands):

	June 29, 2003
Sales	\$ 287
Loss from continuing operations before income taxes	\$ (31)

NOTE F - - STOCK REPURCHASE PROGRAM

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to its stock repurchase program, it repurchased one million shares of common stock in open market transactions and a private transaction at a total cost of \$3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock. Through June 27, 2004, Nathan's purchased 851,301 shares of common stock at a cost of approximately \$3,251,000. To date, Nathan's has purchased a total of 1,851,301 shares of common stock at a cost of approximately \$6,921,000. There were no repurchases of the Company's common stock during the thirteen weeks ended June 27, 2004. Nathan's expects to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

NOTE G - COMPREHENSIVE (LOSS) INCOME

The components of comprehensive income are as follows:

	Thirteen Weeks Ended (In thousands)	
	June 27, 2004	June 29, 2003
	-----	-----
Net income	\$ 950	\$ 744
Unrealized (loss) gain on available-for-sale securities, net of tax (benefit) provision of \$(55) and \$9, respectively	(87)	12
Reclassification adjustments for net losses realized in net income, net of tax benefit of \$0 and \$2, respectively	-	3
Comprehensive income	\$ 863	\$ 759
	=====	=====

Accumulated other comprehensive income at June 27, 2004 and June 29, 2003 consists entirely of unrealized (losses) and gains on available-for-sale securities, net of deferred taxes.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. CONTINGENCIES

An employee of a Miami Subs franchised restaurant commenced an action for unspecified damages in the United States District Court, Southern District of Florida in January 2004 against Miami Subs Corporation, Miami Subs USA, Inc., and two Miami Subs franchisees, Nadia M. Investments, Inc. and DYV SYS International, Inc.(the "franchisees"), claiming that he was not paid overtime when he worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with the law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to Plaintiff and defend against this action vigorously. On July 27, 2004, this action was settled without payment to the plaintiffs by Miami Subs Corporation.

An action has been commenced, in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD Corporation, a Miami Subs franchisee (the "franchisee") claiming negligence in connection with a slip and fall which allegedly occurred on the premises of the franchisee for unspecified damages. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisee is obligated to indemnify Miami Subs and hold it harmless against claims asserted and procure an insurance policy which names Miami Subs as an additional insured. Miami Subs has denied any liability to plaintiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted. The insurer has agreed to indemnify and defend Miami Subs and has assumed the defense of this action for Miami Subs.

Miami Subs has received a claim from a landlord for a franchised location that Miami Subs owes the landlord \$150,000 in connection with the construction of the leased premises. Miami Subs has been the primary tenant at the location since 1993, when the

lease was assigned to Miami Subs by the initial tenant under the lease, the party to whom the construction loan was made. To date, the landlord has not commenced legal action. Miami Subs intends to continue to dispute its liability for the construction loan and to vigorously defend any legal action.

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of \$1,000,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Nathan's intends to deny any liability and defend this action vigorously. Nathan's has submitted this claim to its insurance carrier and expects that it will not incur any material liability that is not covered by its employment practices liability insurance policy.

The Company is involved in various other litigation in the normal course of business, none of which, in the opinion of management, will have a significant adverse impact on its financial position or results of operations.

## 2. GUARANTEES

The Company guarantees certain equipment financing for franchisees with a third-party lender. The Company's maximum obligation, should the franchisees default on the required monthly payment to the third-party lender, for loans funded by the lender, as of June 27, 2004 was approximately \$252,000. The equipment financing expires at various dates through fiscal 2008.

The Company also guarantees a franchisee's note payable with a bank. The note payable matures in April 2007. The Company's maximum obligation, should the franchisee default on the required monthly payments to the bank, for loans funded by the lender, as of June 27, 2004, was approximately \$205,000.

## NOTE J - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the June 27, 2004 presentation.

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

### INTRODUCTION

As used in this Report, the terms "we", "us", "our" and "Nathan's" mean Nathan's Famous, Inc. and its subsidiaries (unless the context indicates a different meaning).

During the fiscal year ended March 26, 2000, we completed two acquisitions that provided us with two highly recognized brands. On April 1, 1999, we became the franchisor of the Kenny Rogers Roasters restaurant system by acquiring the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. On September 30, 1999, we acquired the remaining 70% of the outstanding common stock of Miami Subs Corporation we did not already own. Our revenues are generated primarily from operating Company-owned restaurants and franchising the Nathan's, Miami Subs and Kenny Rogers restaurant concepts, licensing agreements for the sale of Nathan's products within supermarkets and selling products under Nathan's Branded Product Program. The Branded Product Program enables foodservice operators to offer Nathans' hot dogs and other proprietary items for sale within their facilities. In conjunction with this program, foodservice operators are granted a limited use of the Nathans' trademark with respect to the sale of hot dogs and certain other proprietary food items and paper goods.

In addition to plans for expansion through franchising and our Branded Product Program, Nathan's continues to co-brand within its restaurant system. Currently, the Arthur Treacher's brand is being sold within 115 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 66 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 90 Miami Subs and Nathan's restaurants.

At June 27, 2004, our combined system consisted of 345 franchised or licensed units, 7 Company-owned units and over 4,100 Nathan's Branded Product points of sale that feature Nathan's world famous all-beef hot dogs, located in 45 states, the District of Columbia and 12 foreign countries. At June 27, 2004, our Company-owned restaurant system included seven Nathan's units, as compared to seven Nathan's units and two Miami Subs units at June 29, 2003.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements and the notes to our consolidated financial statements contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. We believe the following critical accounting policies involve additional management judgement due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset and liability amounts.

### Impairment of Goodwill and Other Intangible Assets

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") requires that goodwill and intangible assets with indefinite lives will no longer be amortized but will be reviewed annually (or more frequently if impairment indicators arise) for impairment. The most significant assumptions which are used in this test are estimates of future cash flows. We typically use the same assumptions for this test as we use in the development of our business plans. If these assumptions differ significantly from actual results, additional impairment expenses may be required. No goodwill or other intangible assets were determined to be impaired during the thirteen weeks ended June 27, 2004.

### Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") requires management judgements regarding the future operating and disposition plans for underperforming assets, and estimates of expected realizable values for assets to be sold. The application of SFAS No. 144 has affected the amounts and timing of charges to operating results in recent years. We evaluate possible impairment of each restaurant individually and record an impairment charge whenever we determine that impairment factors exist. We consider a history of restaurant operating losses to be the primary indicator of potential impairment of a restaurant's carrying value. No restaurants were determined to be impaired during the thirteen weeks ended June 27, 2004.

### Impairment of Notes Receivable

Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," requires management judgements regarding the future collectibility of notes receivable and the underlying fair market value of collateral. We consider the following factors when evaluating a note for impairment: a) indications that the borrower is experiencing business problems, such as operating losses, marginal working capital, inadequate cash flow or business interruptions; b) whether the loan is secured by collateral that is not readily marketable; or c) whether the collateral is susceptible to deterioration in realizable value. When determining possible impairment, we also assess our future intention to extend certain leases beyond the minimum lease term and the debtor's ability to meet its obligation over that extended term. No notes receivable were determined to be impaired during the thirteen weeks ended June 27, 2004.

### Revenue Recognition

Sales by Company-owned restaurants, which are typically paid in cash by the customer, are recognized upon the performance of services.

In connection with its franchising operations, the Company receives initial franchise fees, development fees, royalties, contributions to marketing funds, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are recorded as deferred revenue. Initial franchise fees are recognized as income when substantially all services to be performed by Nathan's and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations.

Development fees are non-refundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled.

Nathan's recognizes franchise royalties when they are earned and deemed collectible. Franchise fees and royalties that are not deemed to be collectible are not recognized as revenue until paid by the franchisee. Revenue from sub-leasing properties to franchisees is recognized as income as the revenue is earned and becomes receivable and deemed collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated statements of operations.

Nathan's recognizes revenue from the Branded Product Program when it is determined by the manufacturer that the products have been delivered via third party common carrier to Nathans' customers. An accrual for the cost of the product to the Company is recorded simultaneously with the revenue.

In the normal course of business, we extend credit to franchisees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Notes and accounts receivable, net, as shown on our consolidated balance sheets are net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessment of collectibility based upon historical trends and an evaluation of the impact of current and projected economic conditions. In the event that the collectibility of a receivable is doubtful, the associated revenue is not recorded until the facts and circumstances change in accordance with Staff Accounting Bulletin SAB No. 104, "Revenue Recognition."

#### Self-insurance Liabilities

We are self-insured for portions of our general liability coverage. As part of our risk management strategy, our insurance programs include deductibles for each incident and in the aggregate for a policy year. As such, we accrue estimates of our ultimate self insurance costs throughout the policy year. These estimates have been developed based upon our historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, our annual self insurance costs may be subject to adjustment from previous estimates as facts and circumstances change.

#### RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED JUNE 27, 2004 COMPARED TO THIRTEEN WEEKS ENDED JUNE 29, 2003

#### Revenues

Total sales increased by \$346,000 or 5.5% to \$6,654,000 for the thirteen weeks ended June 27, 2004 ("first quarter fiscal 2005") as compared to \$6,308,000 for the thirteen weeks ended June 29, 2003 ("first quarter fiscal 2004"). Sales from the Branded Product Program increased by 14.8% to \$2,548,000 for the first quarter fiscal 2005 as compared to sales of \$2,220,000 in the first quarter fiscal 2004. This increase was attributable to the impact of price increases implemented in the second half of fiscal 2004 and higher sales volume. Company-owned restaurant sales decreased by \$671,000 or 16.4% to \$3,417,000 from \$4,088,000 primarily due to the operation of four fewer Company-owned stores as compared to the prior fiscal year which was partly offset by an 8.0% sales increase at our comparable restaurants (consisting of seven Nathan's). The reduction in Company-owned stores is the result of our franchising the four restaurants mentioned above. The financial impact associated with these four restaurants lowered restaurant sales by \$925,000 and improved restaurant operating profits by \$30,000 versus the first quarter fiscal 2004. During the first quarter fiscal 2005 we realized sales of \$689,000 arising from our QVC marketing program which was introduced in September 2003. The majority of the sales generated by QVC were in connection with the "Today's Special Value" program held on May 20, 2004.

Franchise fees and royalties increased by \$104,000 or 6.7% to \$1,665,000 in the first quarter fiscal 2005 compared to \$1,561,000 in the first quarter fiscal 2004. Franchise royalties increased by \$99,000 or 7.1% to \$1,497,000 in the first quarter fiscal 2005 as compared to \$1,398,000 in the first quarter fiscal 2004. This increase is due to higher domestic franchise sales and an improvement in royalties deemed unrealizable which are not recognized as revenues, primarily in the South Florida marketplace for the Miami Subs brand, during the first quarter fiscal 2005 as compared to the first quarter fiscal 2004. Domestic franchise restaurant sales increased by 4.1% to \$41,500,000 in the first quarter fiscal 2005 as compared to \$39,870,000 in the first quarter fiscal 2004. Comparable domestic franchise sales (consisting 174 restaurants) increased by \$2,043,000 or 6.4% to \$34,146,000 in the first quarter fiscal 2005 as compared to \$32,103,000 in the first quarter fiscal 2004. At June 27, 2004, 345 domestic and international franchised or licensed restaurants were operating as compared to 349 domestic and international franchised or licensed restaurants at June 29, 2003. During the thirteen weeks ended June 27, 2004, royalty income from 30 domestic franchised locations have been deemed unrealizable as compared to 44 domestic franchised locations during the thirteen weeks ended June 29, 2003. Franchise fee income was \$168,000 in the first quarter fiscal 2005 as compared to \$163,000 in the first quarter fiscal 2004. During the first quarter fiscal 2005, 11 new franchised units opened as compared to opening 10 new franchised units and franchising two Company-owned restaurants during the first quarter fiscal 2004.

License royalties were \$939,000 in the first quarter fiscal 2005 as compared to \$870,000 in the first quarter fiscal 2004. This increase is primarily attributable to higher royalties earned from the sale of Nathan's frankfurters within supermarkets and club stores and from our license agreements for Nathan's condiments which were partly offset by lower royalties earned from the sale of Nathan's non-food items.

Investment and other income was \$178,000 in the first quarter fiscal 2005 versus \$188,000 in the first quarter fiscal 2004. During the first quarter fiscal 2005, income from subleasing activities and other income was approximately \$57,000 higher than the first quarter fiscal 2004. Gains associated with the sale of fixed assets were approximately \$70,000 lower during the first quarter fiscal 2005 than during the first quarter fiscal 2004, primarily due to a net gain of \$94,000 in the first quarter fiscal 2004, in connection with the sale of a Company-owned restaurant to a franchisee.

Interest income was \$48,000 in the first quarter fiscal 2005 versus \$64,000 in the first quarter fiscal 2004 due primarily to earning lower interest income from notes receivable which were determined to be impaired during the fiscal year ended March 28, 2004.

#### Costs and Expenses

Cost of sales increased by \$454,000 to \$4,762,000 in the first quarter fiscal 2005 from \$4,308,000 in the first quarter fiscal 2004. During the first quarter fiscal 2005, restaurant cost of sales were lower than the first quarter fiscal 2004 by approximately \$477,000. Cost of sales were lower by approximately \$634,000 as a result of operating four fewer Company-owned restaurants during the first quarter fiscal 2005. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 58.9% in the first quarter fiscal 2005 as compared to 58.7% in the first quarter fiscal 2004. Higher costs of approximately \$931,000 were incurred in connection with the growth of our Branded Product Program, our QVC marketing program and higher commodity costs during the first quarter fiscal 2005. Commodity costs of our hot dogs were approximately 8.4% higher during the first quarter fiscal 2005 than the first quarter fiscal 2004. The financial impact of these commodity cost increases was offset by the increases to our selling prices implemented in the second half of fiscal 2004.

Restaurant operating expenses decreased by \$344,000 to \$838,000 in the first quarter fiscal 2005 from \$1,182,000 in the fiscal 2004, \$323,000 of which reduction is the result of operating four fewer restaurants.

Depreciation and amortization decreased by \$39,000 to \$218,000 in the first quarter fiscal 2005 from \$257,000 in the first quarter fiscal 2004. Depreciation expense was lower by approximately \$22,000 as a result of operating four fewer Company-owned restaurants and \$12,000 as a result of the impairment charges on long-lived assets recorded in the fourth quarter fiscal 2004.

Amortization of intangible assets was \$65,000 in both the first quarter fiscal 2005 and first quarter fiscal 2004.

General and administrative expenses increased by \$105,000 to \$2,024,000 in the first quarter fiscal 2005 as compared to \$1,919,000 in the first quarter fiscal 2004. The increase in general and administrative expenses was due primarily to higher personnel and incentive compensation expense of approximately \$68,000 and higher corporate insurance expense of approximately \$27,000.

Interest expense was \$12,000 during the first quarter fiscal 2005 as compared to \$14,000 during the first quarter fiscal 2004. The reduction in interest expense relates primarily to the repayment of outstanding loans between the two periods.

#### Provision for Income Taxes

In the first quarter fiscal 2005, the income tax provision was \$615,000 or 39.3% of income before income taxes as compared to \$502,000 or 40.3% of income before income taxes in the first quarter fiscal 2004.

#### OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 27, 2004 aggregated \$3,641,000, increasing by \$192,000 during the first quarter fiscal 2005. At June 27, 2004, marketable securities decreased by \$823,000 from March 28, 2004 to \$6,654,000 and net working capital increased to \$9,895,000 from \$9,185,000 at March 28, 2004.

Cash used in operations of \$235,000 in the first quarter fiscal 2005 is primarily attributable to increased accounts receivable of \$1,135,000 due primarily to seasonal sales and royalty increases and the reduction of accounts payable and accrued expenses of \$396,000, including lease termination costs of \$333,000 that were accrued for at March 28, 2004, in connection with three locations having future minimum rents of \$2,514,000 which was partly offset by net income of \$950,000 and other non-cash expenses of \$295,000.

Cash provided by investing activities of \$470,000 is comprised primarily of proceeds from the sale of securities of \$650,000, repayments on notes receivable of \$77,000 and proceeds from the sale of other fixed assets of \$5,000 which were partly offset by capital expenditures of \$262,000.

Cash used in financing activities was \$43,000 representing repayments of notes payable and obligations under capital leases. During the first quarter fiscal 2005, we did not repurchase any shares of the Company's common stock.

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to our stock repurchase program, we repurchased one million shares of common stock in open market transactions and a private transaction at a total cost of \$3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock. Through June 27, 2004, Nathan's purchased 851,301 shares of common stock at a cost of approximately \$3,251,000. Nathan's has not purchased any additional shares of common stock after June 27, 2004. To date, Nathan's has purchased a total of 1,851,301 shares of common stock at a cost of approximately \$6,921,000. Nathan's expects to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

We expect that we will make additional investments in certain existing restaurants and support the growth of the Branded Product Program in the future and to fund those investments from our operating cash flow. We may further incur additional capital expenditures in connection with the replacement of a Company-owned restaurant whose lease will expire in September 2004.

There are currently 29 properties that we either own or lease from third parties which we lease or sublease to franchisees, operating managers and non-franchisees. Additionally, there is currently one vacant leased property which was previously sublet to a franchisee. We remain contingently liable for all costs associated with these properties including: rent, property taxes and insurance. Additionally, we guaranteed financing on behalf of certain franchisees with two third-party lenders. Our maximum obligation for loans funded by the lenders as of June 27, 2004 was approximately \$457,000.

The following schedules represent Nathan's cash contractual obligations and the expiration of other contractual commitments by maturity (in thousands):

Cash Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4-5 Years	After 5 Years
Long-Term Debt	\$ 944	\$ 167	\$ 333	\$ 333	\$ 111
Capital Lease Obligations	52	6	16	19	11
Employment Agreements	532	479	53	-	-
Operating Leases	18,283	3,763	6,937	4,394	3,189
Gross Cash Contractual Obligations	19,811	4,415	7,339	4,746	3,311
Sublease Income	10,688	2,093	3,866	2,484	2,245
Net Cash Contractual Obligations	\$ 9,123	\$ 2,322	\$ 3,473	\$ 2,262	\$ 1,066

Other Contractual Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 Year	1 - 3 Years	4-5 Years	After 5 Years
Loan Guarantees	\$ 457	\$ 170	\$ 287	\$ -	-
Total Commercial Commitments	\$ 457	\$ 170	\$ 287	\$ -	-

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital to finance our operations for at least the next twelve months. We maintain a \$5,000,000 uncommitted bank line of credit and have never borrowed any funds under this line of credit.

### Item 3. Qualitative and Quantitative Disclosures About Market Risk

#### CASH AND CASH EQUIVALENTS

We have historically invested our cash and cash equivalents in short term, fixed rate, highly rated and highly liquid instruments which are reinvested when they mature throughout the year. Although our existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of June 27, 2004, Nathans' cash and cash equivalents aggregated \$3,641,000. Earnings on these cash and cash equivalents would increase or decrease by approximately \$9,100 per annum for each .25% change in interest rates.

#### MARKETABLE INVESTMENT SECURITIES

We have invested our marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments. These investments are subject to fluctuations in interest rates. As of June 27, 2004, the market value of Nathans' marketable investment securities aggregated \$6,654,000. Interest income on these marketable investment securities would increase or decrease by approximately \$16,600 per annum for each .25% change in interest rates. The following chart presents the hypothetical changes in the fair value of the marketable investment securities held at June 27, 2004 that are sensitive to interest rate fluctuations (in thousands):

	Valuation of securities Given an interest rate Decrease of X Basis points			Fair Value	Valuation of securities Given an interest rate Increase of X Basis points		
	(150BPS)	(100BPS)	(50BPS)		+50BPS	+100BPS	+150BPS
Municipal notes and bonds	\$ 6,987	\$ 6,873	\$ 6,762	\$6,654	\$6,549	\$ 6,447	\$ 6,347

#### BORROWINGS

The interest rate on our borrowings are generally determined based upon the prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. We do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings. At June 27, 2004, total outstanding debt, including capital leases, aggregated \$996,000 of which \$944,000 is at risk due to changes in interest rates. The current interest rate is 4.50% per annum and will adjust in January 2006 and January 2009 to prime plus .25%. Nathan's also maintains a \$5,000,000 credit line which bears interest at the prime rate plus 1.00% (5.25% at June 30, 2004). The Company has never borrowed any funds under this credit line. Accordingly, the Company does not believe that fluctuations in interest rates would have a material impact on its financial results.

#### COMMODITY COSTS

The cost of commodities are subject to market fluctuation. We have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, our future commodities purchases are subject to changes in the prices of such commodities. Generally, we attempt to pass through permanent increases in our commodity prices to our customers, thereby reducing the impact of long-term increases on our financial results. A short term increase or decrease of 10% in the cost of our food and paper products for the thirteen weeks ended June 27, 2004 would have increased or decreased cost of sales by approximately \$328,000.



## FOREIGN CURRENCIES

Foreign franchisees generally conduct business with us and make payments in United States dollars, reducing the risks inherent with changes in the values of foreign currencies. As a result, we have not purchased future contracts, options or other instruments to hedge against changes in values of foreign currencies and we do not believe fluctuations in the value of foreign currencies would have a material impact on our financial results.

## Item 4. Controls and Procedures

### EVALUATION AND DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q as required by Exchange Act Rule 13a-15. Based on that evaluation, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

### CHANGES IN INTERNAL CONTROLS

There were no significant changes in our internal controls over financial reporting that occurred during the quarter ended June 27, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

### FORWARD LOOKING STATEMENTS

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our current judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: the future effects of the first case of bovine spongiform encephalopathy, BSE, identified in the United States on December 23, 2003; economic, weather, legislative and business conditions; the collectibility of receivables; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; the ability to continue to attract franchisees; the ability to purchase our primary food and paper products at reasonable prices; no material increases in the minimum wage; and our ability to attract competent restaurant and managerial personnel. We generally identify forward-looking statements with the words "believe," "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We and our subsidiaries are from time to time involved in ordinary and routine litigation. We are also involved in the following litigation:

An employee of a Miami Subs franchised restaurant commenced an action for unspecified damages in the United States District Court, Southern District of Florida in January 2004 against Miami Subs Corporation, Miami Subs USA, Inc., and two Miami Subs franchisees, Nadia M. Investments, Inc. and DYV SYS International, Inc.(the "franchisees"), claiming that he was not paid overtime when he worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with the law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to Plaintiff and defend against this action vigorously. On July 27, 2004, this action was settled without payment to the plaintiffs by Miami Subs Corporation.

An action has been commenced, in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD Corporation, a Miami Subs franchisee (the "franchisee") claiming negligence in connection with a slip and fall which allegedly occurred on the premises of the franchisee for unspecified damages. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisee is obligated to indemnify Miami Subs and hold it harmless against claims asserted and procure an insurance policy which names Miami Subs as an additional insured. Miami Subs has denied any liability to plaintiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted. The insurer has agreed to indemnify and defend Miami Subs and has assumed the defense of this action for Miami Subs.

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of \$1,000,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Nathan's intends to deny any liability and defend this action vigorously. Nathan's has submitted this claim to its insurance carrier and expects that it will not incur any material liability that is not covered by its employment practices liability insurance policy.

ITEM 2: CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

(e) The Company has not repurchased any equity securities during the quarter ended June 27, 2004.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Operating Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Howard M. Lorber, CEO, Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Ronald G. DeVos, CFO, Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) No reports on Form 8-K were filed during the quarter ended June 27, 2004.

SIGNATURES

Pursuant to the requirements of the Securities 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: August 9, 2004

By: /s/Wayne Norbitz

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

Date: August 9, 2004

By: /s/Ronald G. DeVos

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Ronald G. DeVos  
Vice President - Finance  
and Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Howard M. Lorber, Chief Executive Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 27, 2004 of Nathan's Famous, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Howard M. Lorber

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Howard M. Lorber  
Chief Executive Officer

CERTIFICATION

I, Wayne Norbitz, President and Chief Operating Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 27, 2004 of Nathan's Famous, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/Wayne Norbitz

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Wayne Norbitz  
President and Chief Operating Officer

CERTIFICATION

I, Ronald G. DeVos, Chief Financial Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 27, 2004 of Nathan's Famous, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Ronald G. DeVos

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Ronald G. DeVos  
Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard M. Lorber, Chief Executive Officer of Nathan's Famous, Inc., certify that:

The Form 10-Q of Nathan's Famous, Inc. for the period ended June 27, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan's Famous, Inc.

/s/ Howard M. Lorber

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Name: Howard M. Lorber

Date: August 9, 2004

A signed original of this written statement required by Section 906 has been provided to Nathan's Famous, Inc. and will be retained by Nathan's Famous, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald, G. DeVos, Chief Financial Officer of Nathan's Famous, Inc., certify that:

The Form 10-Q of Nathan's Famous, Inc. for the period ended June 27, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan's Famous, Inc.

/s/ Ronald G. DeVos

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Name: Ronald G. DeVos

Date: August 9, 2004

A signed original of this written statement required by Section 906 has been provided to Nathan's Famous, Inc. and will be retained by Nathan's Famous, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.