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 DECEMBER 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 December 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)

	December 28, 1997 (Unaudited)	March 30, 1997
Current assets:		
Cash and cash equivalents including restricted cash of $273 and $280, respectively	$ 744	$ 647
Marketable investment securities	8,460	7,640
Franchise and other receivables	1,306	1,039
Inventory	285	213
Prepaid expenses and other current assets	370	502
Deferred income taxes	415	415
Total current assets	11,580	10,456
Property and equipment, net	6,048	5,480
Intangible assets, net	11,362	11,640
Other assets, net	193	218
	$ 29,183	$ 27,794
Current liabilities:		
Current maturities of long-term debt	$ 12	$ 17
Accounts payable	668	754
Accrued expenses and other current liabilities	4,699	4,614
Deferred franchise fees	155	269
Total current liabilities	5,534	5,654
Long-term debt, net of current maturities	18	21
Other Liabilities	294	143
Total liabilities	5,846	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	32,343	32,307
Accumulated deficit	(9,053)	(10,378)
Total stockholders' equity	23,337	21,976
	$ 29,183	$ 27,794

See accompanying notes to consolidated financial statements.

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

	1997	1996
Sales	$5,638	$5,304
Franchise fees and royalties	863	862
License royalties	252	299
Investment and other income	72	134
Total revenues	6,825	6,599
Costs and expenses:		
Cost of sales	3,515	3,262
Restaurant operating expenses	1,434	1,623
Depreciation and amortization	246	253
Amortization of intangible assets	112	107
General and administrative	1,106	1,030
Interest expense	0	1
Total costs and expenses	6,413	6,276
Earnings before income taxes	412	323
Provision for income taxes	170	137
Net earnings	$ 242	$ 186
Basic earnings per common share	$ 0.05	$ 0.04
Diluted earnings per common share	$ 0.05	$ 0.04
Shares used to compute basic earnings per share	4,722	4,722
Shares used to compute diluted earnings per share	4,771	4,722

See accompanying notes to consolidated financial statements.

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

	1997	1996
Sales	$18,137	$17,034
Franchise fees and royalties	2,337	2,556
License royalties	1,194	857
Investment and other income	617	486
Total revenues	22,285	20,933
Costs and expenses:		
Cost of sales	10,911	10,002
Restaurant operating expenses	4,727	5,068
Depreciation and amortization	758	774
Amortization of intangible assets	311	306
General and administrative	3,359	2,953
Interest expense	4	15
Total costs and expenses	20,070	19,118
Earnings before income taxes	2,215	1,815
Provision for income taxes	890	754
Net earnings	$ 1,325	$ 1,061
Basic earnings per common share	$ 0.28	$ 0.22
Diluted earnings per common share	$ 0.28	$ 0.22
Shares used to compute basic earnings per share	4,722	4,722
Shares used to compute diluted earnings per share	4,773	4,722

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THIRTY-NINE WEEKS ENDED DECEMBER 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				36		36
Net earnings					1,325	1,325
Balance, Dec 28, 1997	4,722,216	$ 47	$ 32,388	$ (45)	$ (9,053)	$ 23,337

See accompanying notes to consolidated financial statements.

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

	1997	1996
Cash flows from operating activities:		
Net earnings	$ 1,325	$ 1,061
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	758	774
Amortization of intangible assets	311	306
Provision for doubtful accounts	45	45
Other	36	35
Changes in assets and liabilities:		
Marketable investment securities	(820)	(355)
Franchise and other receivables	(312)	(279)
Inventory	(72)	3
Prepaids and other current assets	132	465
Accounts payable and accrued expenses	(1)	(16)
Deferred franchise fees	(114)	(79)
Other assets	25	18
Deferred area development fees	--	(156)
Other liabilities	151	(19)
Net cash provided by operating activities	1,464	1,803
Cash flows from investing activities:		
Purchase of property and equipment	(1,359)	(688)
Net cash used in investing activities	(1,359)	(688)
Cash flows from financing activities:		
Principal repayment of borrowings	(8)	(17)
Net cash used in financing activities	(8)	(17)
Net increase in cash and cash equivalents	97	1,098
Cash and cash equivalents, beginning of period	647	801
Cash and cash equivalents, end of period	$ 744	$ 1,899
Cash paid during the period for:		
Interest	$ 1	$ 16
Income taxes	$ 416	$ (181)

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 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 thirty-nine week periods ended December 28, 1997 and December 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.

NOTE B - EARNINGS PER SHARE

In March 1997, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share. This statement establishes standards for computing and presenting earnings per share ("EPS"), replacing the presentation of primary EPS with a presentation of basic EPS. For entities with complex capital structures, the statement requires the dual presentation of both Basic EPS and Diluted EPS on the face of the statement of earnings. SFAS No. 128 is effective for financial statements issued for the periods ending after December 15, 1997, including interim periods.

The following charts provide the reconciliations of information used in calculating the per share amounts:

	FOR THE QUARTER ENDED DECEMBER 28, 1997			FOR THE THIRTY-NINE WEEKS ENDED DECEMBER 28, 1997		
	INCOME	SHARES	PER-SHARE AMOUNT	INCOME	SHARES	PER-SHARE AMOUNT
Net Income	$ 242,000			$1,325,000		
BASIC EPS						
Income available to common stockholders	$ 242,000	4,722,216	$ 0.05	$1,325,000	4,722,216	$ 0.28
EFFECT OF DILUTIVE SECURITIES						
Options		48,336			50,558	
DILUTED EPS						
Income available to common stockholders	$ 242,000	4,770,552	$ 0.05	$1,325,000	4,772,774	$ 0.28

	FOR THE QUARTER ENDED DECEMBER 29, 1996			FOR THE THIRTY-NINE WEEKS ENDED DECEMBER 29, 1996		
	INCOME	SHARES	PER-SHARE AMOUNT	INCOME	SHARES	PER-SHARE AMOUNT
Net Income	$ 186,000			$1,061,000		
BASIC EPS Income available to common stockholders	$ 186,000	4,722,216	$ 0.04	$1,061,000	4,722,216	$ 0.22
EFFECT OF DILUTIVE SECURITIES Options		-0-			-0-	
DILUTED EPS Income available to common stockholders	$ 186,000	4,772,216	$ 0.04	$1,061,000	4,722,216	$ 0.22

Options to purchase 552,831 shares of common stock at prices ranging between $4.00 and $8.00 per share were outstanding as of December 28, 1997 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of common shares. The options typically have a ten year life and expire at dates ranging between December 2002 and March 2007.

Warrants to purchase 350,000 shares of common stock at prices ranging between $3.25 and $4.50 per share were outstanding as of December 28, 1997 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of common shares. The warrants have a life of five or ten years and expire at dates ranging between November 2001 and July 2007.

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

RESULTS OF OPERATIONS

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

Revenues

Total sales increased 6.3% or $334,000 to $5,638,000 for the thirteen weeks ended December 28, 1997 ("third quarter fiscal 1998") from $5,304,000 for the thirteen weeks ended December 29, 1996 ("third quarter fiscal 1997"). Company-owned restaurant sales increased 0.7% or $38,000 to $5,342,000 from $5,304,000. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), increased by $166,000 or 3.6% in the third quarter fiscal 1998 versus the third quarter fiscal 1997. The Company continues to expand its local store marketing activities and value pricing strategies that were implemented last year. At December 28, 1997 and December 29, 1996, there were 25 and 26 Company-owned units, respectively. Sales from the Branded Product Program that was implemented in April 1997 were $296,000 for the third quarter fiscal 1998.

Franchise fees and royalties increased by $1,000 or 0.1% to $863,000 in the third quarter fiscal 1998 compared to $862,000 in the third quarter fiscal 1997. Franchise royalties increased by $6,000 or 0.9% to $695,000 in the third quarter fiscal 1998 as compared to $689,000 in the third quarter fiscal 1997. In the third quarter fiscal 1998, the Company recorded additional royalty income of approximately $40,000 from a reconciliation of prior royalties. Franchise restaurant sales, upon which royalties are based, were $15,505,000 in the third quarter fiscal 1998 as compared to $16,935,000 in the third quarter fiscal 1997. During the third quarter fiscal 1997, the 53 Caldor units which were closed between November 1996 and February 1997 generated sales and royalties of approximately $2,174,000 and $87,000, respectively. During the third quarter fiscal 1998, franchisees and licensees opened 4 new units. At December 28, 1997, there were 154 franchised or licensed restaurants as compared to 180 at December 29, 1996. Franchise fee income was $168,000 in the third quarter fiscal 1998 as compared to $173,000 in the third quarter fiscal 1997.

License royalties decreased by $47,000 or 15.7% to $252,000 in the third quarter fiscal 1998 as compared to $299,000 in the third quarter fiscal 1997. This decrease is primarily attributed to lower royalties earned from sales to supermarkets by the Company's licensee, SMG, Inc., which was partially offset by $60,000 from the amortization of the deferred fee received from SMG, Inc. in conjunction with the renegotiation of their contract which took effect January 1, 1997. In the third quarter fiscal 1998 the Company earned license fees of $10,000 as compared to $30,000 in the third quarter fiscal 1997.

Investment and other income was $72,000 in the third quarter fiscal 1998 as compared to $134,000 in the third quarter fiscal 1997. The Company's investment income in the third quarter fiscal 1998 was lower than the third quarter fiscal 1997 by $67,000 due primarily to the disparity in the performance of the financial markets.

Costs and Expenses

Cost of sales increased by $253,000 from $3,262,000 in the third quarter fiscal 1997 to $3,515,000 in the third 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 61.4% in the third quarter fiscal 1998 and 61.5% in the third quarter fiscal 1997. The Company continues to take steps to reverse the margin pressures which have become essential in order 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 $189,000 from $1,623,000 in the third quarter fiscal 1997 to $1,434,000 in the third quarter fiscal 1998. This decrease can be primarily attributed to the closure of two unprofitable restaurants earlier in this fiscal year. As a percentage of restaurant sales, restaurant operating expenses were 26.8% in the third quarter fiscal 1998 as compared to 30.6% in the third quarter fiscal 1997.

Depreciation and amortization was $246,000 in the third quarter fiscal 1998 and $253,000 in the third quarter fiscal 1997. Amortization of intangibles of $112,000 in the third quarter fiscal 1998 and $107,000 in the third quarter fiscal 1997.

General and administrative expenses were $1,106,000 in the third quarter fiscal 1998 as compared to $1,030,000 in the third quarter fiscal 1997.

Income Tax Provision

In the third quarter fiscal 1998, the income tax provision was $170,000 or 41.3% of income before income taxes. In the third quarter fiscal 1997, the income tax provision was $137,000 or 42.4% of income before income taxes.

THIRTY-NINE WEEKS ENDED DECEMBER 28, 1997 COMPARED TO DECEMBER 29, 1996

Revenues

Total sales increased 6.5% or $1,103,000 to $18,137,000 for the thirty-nine weeks ended December 28, 1997 ("fiscal 1998") from $17,034,000 for the thirty-nine weeks ended December 29, 1996 ("fiscal 1997"). Company-owned restaurant sales increased 1.4% or $241,000 to $17,275,000 from $17,034,000. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), increased by $443,000 or 2.9% 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. Construction is currently underway for three new units within Home Depot Improvement Centers. Additionally, 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 $862,000 for fiscal 1998.

Franchise fees and royalties decreased by $219,000 or 8.6% to $2,337,000 in fiscal 1998 compared to $2,556,000 in fiscal 1997. Franchise royalties decreased by $120,000 or 6.0% to $1,885,000 in fiscal 1998 as compared to $2,005,000 in fiscal 1997. Franchise restaurant sales, upon which royalties are based, were $44,482,000 in fiscal 1998 as compared to $50,100,000 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 $6,042,000 and $242,000, respectively. During fiscal 1998, franchisees and licensees opened 20 new units. At December 28, 1997, there were 154 franchised or licensed restaurants as compared to 180 at December 29, 1996. Franchise fee income was $452,000 in fiscal 1998 as compared to $551,000 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 $337,000 or 39.3% to $1,194,000 in fiscal 1998 as compared to $857,000 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 $337,000 increase, $180,000 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 $617,000 in fiscal 1998 as compared to $486,000 in fiscal 1997. The Company's investment income in fiscal 1998 was higher than in fiscal 1997 by $143,000 due in part to the increased amount of marketable investment securities and the disparity in the 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 $909,000 from $10,002,000 in fiscal 1997 to $10,911,000 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 59.2% in fiscal 1998 as compared to 58.7% in fiscal 1997. The Company continues to take steps to reverse 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 $341,000 from $5,068,000 in fiscal 1997 to $4,727,000 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 27.4% in fiscal 1998 as compared to 29.8% in fiscal 1997.

Depreciation and amortization was $758,000 in fiscal 1998 as compared to $774,000 in fiscal 1997. Amortization of intangibles was $311,000 in fiscal 1998 as compared to $306,000 in fiscal 1997.

General and administrative expenses were $3,359,000 in fiscal 1998 as compared to $2,953,000 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 $890,000 or 40.2% of income before income taxes. In fiscal 1997, the income tax provision was $754,000 or 41.5% of income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 28, 1997 aggregated $744,000, increasing by $97,000 during the fiscal 1998 period. At December 28, 1997, marketable investment securities totalled $8,460,000 and net working capital increased to $6,046,000 from $4,802,000 at March 30, 1997.

Cash provided by operations of $1,464,000 in fiscal 1998 to date is primarily attributable to net income of $1,325,000, total non-cash charges of $1,150,000, including depreciation and amortization of $1,069,000, an increase in other noncurrent liabilities of $151,000 and a decrease in prepaid expenses and other current assets of $132,000 which were offset by increases in marketable investment securities of $820,000 and franchise and other receivables of $312,000 and a decrease in deferred franchise fees of $114,000.

Cash used in investing activities of $1,359,000 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 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

No.	Description
27.	Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ended December 28, 1997.

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: February 2, 1998 By: /s/ Wayne Norbitz

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

Date: February 2, 1998 By: /s/ Ronald DeVos

Ronald DeVos
Vice President - Finance
and Chief Financial Officer

EXHIBIT INDEX

5
1,000

3-MOS	9-MOS
MAR-29-1998	MAR-29-1998
SEP-29-1997	MAR-31-1997
DEC-28-1997	DEC-28-1997
0	744
0	8,460
0	1,931
0	625
0	285
0	11,580
0	13,379
0	7,331
0	29,183
0	5,534
0	0
0	0
0	0
0	47
0	23,290
0	29,183
5,638	18,137
6,825	22,285
3,515	10,911
1,792	5,796
1,091	3,314
15	45
0	4
412	2,215
170	890
242	1,325
0	0
0	0
0	0
242	1,325
0.05	0.28
0.05	0.28