UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended January 31, 1999

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________to__________

Commission File Number 0-29230

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0350842
(State of incorporation or organization)	(IRS Employer Identification No.)
575 Broadway, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 941-2988

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 and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No___

As of March 12, 1999, there were 18,642,023 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
QUARTER ENDED JANUARY 31, 1999

FORM 10-Q

INDEX

Item 1.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Balance Sheet
As of October 31, 1998 and January 31, 1999 (unaudited)

ASSETS:

	October 31, 1998	January 31, 1999 (Unaudited)
Current assets:		
Cash and cash equivalents	$ 2,762,837	$ 4,761,396
Accounts receivable, net of allowances of $1,473,017 and $1,526,808	49,138,871	47,493,189
Inventories, net	26,092,541	23,074,122
Prepaid royalties	8,064,510	9,086,192
Advances to developers	4,319,989	5,002,663
Prepaid expenses and other current assets	3,981,942	3,650,591
Deferred tax asset	941,000	941,000
Total current assets	95,301,690	94,009,153
Fixed assets, net	1,979,658	1,967,358
Prepaid royalties	1,388,673	1,122,742
Capitalized software development costs, net	2,260,037	2,402,958
Intangibles, net	8,421,777	8,138,873
Other assets, net	33,259	--
Total assets	$ 109,385,094	$ 107,641,084

LIABILITIES and STOCKHOLDERS' EQUITY:

	October 31, 1998	January 31, 1999 (Unaudited)
Current liabilities:		
Lines of credit, current portion	$ 30,226,899	$ 31,589,639
Notes payable due to related parties, net of discount	222,955	128,734
Current portion of capital lease obligation	82,373	80,266
Note payable	137,140	115,578
Accounts payable	31,723,864	22,435,940
Accrued expenses	10,975,362	13,678,527
Advances-principally distributors	136,000	--
Total current liabilities	73,504,593	68,028,684
Line of credit	123,499	--
Notes payable, net of current portion	97,392	81,861
Capital lease obligation, net of current portion	94,042	63,970
Total liabilities	73,819,526	68,174,515
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, Series A, no par value; 5,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock, par value $.01 per share; 50,000,000 shares authorized; 18,071,972 and 18,425,924 shares issued and outstanding	180,719	184,259
Additional paid-in capital	33,546,417	34,792,045
Deferred compensation	(223,657)	(212,951)
Retained earnings	2,069,522	4,964,358
Foreign currency translation adjustment	(7,433)	(261,142)
Total stockholders' equity	35,565,568	39,466,569
Total liabilities and stockholders' equity	$ 109,385,094	$ 107,641,084

The accompanying notes are an integral part of the consolidated financial statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Statements of Operations
For the three months ended January 31, 1998 and 1999 (unaudited)

	Three months ended January 31, 1998	1999
	(Unaudited)	
Net sales	$ 51,405,361	$ 68,280,653
Cost of sales	40,797,569	53,537,840
Gross profit	10,607,792	14,742,813
Operating expenses:		
Research and development costs	486,963	592,144
Selling and marketing	4,231,177	4,161,203
General and administrative	2,135,246	4,411,498
Depreciation and amortization	376,542	453,415
Total operating expenses	7,229,928	9,618,260
Income from operations	3,377,864	5,124,553
Interest expense	1,548,035	816,517
Income before income taxes	1,829,829	4,308,036
Provision for income taxes	8,648	1,413,200
Net income	1,821,181	2,894,836
Distributions paid to S corporation shareholders prior to acquisition	362,000	--
Net income attributable to common stockholders' - Basic	$ 1,459,181	$ 2,894,836
Net income attributable to common stockholders' - Diluted	$ 1,555,511	$ 2,894,836
Per share data:		
Basic:		
Weighted average common shares outstanding	13,258,379	18,212,240
Net income per share	$ 0.11	$ 0.16
Diluted:		
Weighted average common shares outstanding	14,872,511	19,534,411
Net income per share	$ 0.10	$ 0.15

The accompanying notes are an integral part of the consolidated financial statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows
For the three months ended January 31, 1998 and 1999 (unaudited)

	Three months ended January 31, 1998	Three months ended January 31, 1999
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 1,459,181	$ 2,894,836
Adjustment to retained earnings as a result of business combination, see (A) below	(581,089)	--
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	376,542	453,415
Provision for bad debts and return allowances	404,911	182,243
Amortization of deferred compensation	4,312	41,811
Adjustment of prior period compensation expenses	--	(55,898)
Amortization of loan discounts	664,580	1,008
Amortization of deferred financing costs	184,653	--
Issuance of compensatory stock	--	116,065
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease in accounts receivable	3,848,825	1,463,439
Decrease in inventories, net	2,425,504	3,018,419
Increase in prepaid royalties	(596,956)	(755,751)
Increase in advances to developers	--	(682,674)
Decrease in prepaid expenses and other current assets	2,654,352	331,351
Decrease (increase) in capitalized software development costs, net	1,278,854	(142,921)
Decrease in other assets, net	--	33,259
Decrease in accounts payable	(7,244,244)	(9,287,924)
Increase in accrued expenses	496,629	2,703,165
Decrease in advances-principally distributors	(595,050)	(136,000)
Increase in due to/from related parties	(120,070)	--
Net cash provided by operating activities	4,660,934	177,843
Cash flows from investing activities:		
Purchase of fixed assets	(65,470)	(184,408)
Acquisition, net cash paid	(1,186,874)	--
Net cash used in investing activities	(1,252,344)	(184,408)
Cash flows from financing activities:		
Net borrowings under the line of credit	(980,826)	1,239,241
Proceeds from notes payable	803,800	--
Repayment on notes payable	(3,693,472)	(132,322)
Proceeds from exercise of stock options	45,000	1,157,897
Repayment of capital lease obligation	(30,113)	(19,558)
Net cash (used in) provided by financing activities	(3,855,611)	2,245,258
Effect of foreign exchange rates	(10,418)	(240,134)
Net (decrease) increase in cash for the period	(457,439)	1,998,559
Cash and cash equivalents, beginning of the period	2,372,194	2,762,837
Cash and cash equivalents, end of the period	$ 1,914,755	$ 4,761,396
Supplemental information on business acquired:		
Fair value of assets acquired	$12,181,948	$ --
Less, liabilities assumed	(8,812,948)	--
Stock issued	(1,612,500)	--
Options issued	(256,500)	--
Cash paid	1,500,000	--
Less, cash acquired	(313,126)	--
Net cash paid	$ 1,186,874	$ --

(A) For the purposes of pooling of interests accounting, the statement of operations for the year ended October 31, 1997 was combined with JAG's and Talonsoft's December 31, 1997 statement of operations. The Company's statement of operations for the year ended October 31, 1998 includes JAG's and Talonsoft's restated statement of operations for the period November 1, 1997 to October 31,1998. Accordingly, JAG's and Talonsoft's net income of $431,527 and $149,562, respectively, for the two months ended December 31, 1997 have been reflected as an adjustment to retained earnings for the year ended October 31, 1998.

The accompanying notes are an integral part of the consolidated financial statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the year ended October 31, 1998 and the three months ended January 31, 1999
(unaudited)

	Class A Preferred Stock		Class B Preferred Stock		Series A Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, October 31, 1997	317	317	--	--	--	--
Issuance of common stock and compensatory stock options in connection with AIM acquisition	--	--	--	--	--	--
Issuance of preferred stock in connection with BMG acquisition	--	--	--	--	1,850,000	18,500
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	--	--	(1,850,000)	(18,500)
Issuance of common stock in connection with DirectSoft acquisition	--	--	--	--	--	--
Redemption of preferred stock	(317)	(317)	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	--	--	--	--	--	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	--	--	--	--	--	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	--	--	--	--	--
Issuance of common stock in connection with early extinguishment of debt	--	--	--	--	--	--
Issuance of compensatory stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	--	--	--	--
Balance, October 31, 1998	--	--	--	--	--	--
Exercise of stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Issuance of compensatory stock options	--	--	--	--	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	-- --	-- --				
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Balance, January 31, 1999	--	$ --	--	$ --	--	$ --

	Common Stock		Additional Paid-in Capital	Deferred Compensation	Retained Earnings Deficit
	Shares	Amount			
Balance, October 31, 1997	13,033,379	130,333	15,551,501	(17,250)	(3,599,483)
Issuance of common stock and compensatory stock options in connection with AIM acquisition	500,000	5,000	1,864,000	(253,294)	--
Issuance of preferred stock in connection with BMG acquisition	--	--	9,520,563	--	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	1,850,000	18,500	--	--	--

Issuance of common stock in connection with DirectSoft acquisition	40,000	400	256,100	--	--
Redemption of preferred stock	--	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs ...	158,333	1,583	896,750	--	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	770,000	7,700	5,049,300	--	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	897,183	8,972	(8,972)	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	160,000	1,600	(1,600)	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	378,939	3,789	--	--	--
Exercise of stock options	252,000	2,520	156,743	--	--
Issuance of common stock in connection with early extinguishment of debt	32,138	322	187,032	--	--
Issuance of compensatory stock options	--	--	75,000	(75,000)	--
Amortization of deferred compensation	--	--	--	121,887	--
Foreign currency translation adjustment	--	--	--	--	--
Net income	--	--	--	--	6,250,094
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	--	--	(581,089)
Balance, October 31, 1998	18,071,972	180,719	33,546,417	(223,657)	2,069,522
Exercise of stock options	353,952	3,540	1,270,421	--	--
Amortization of deferred compensation	--	--	--	126,706	--
Issuance of compensatory stock options	--	--	116,000	(116,000)	--
Forfeiture of compensatory stock options in connection with AIM acquisition		--	(140,793)	--	--
Foreign currency translation adjustment	--	--	--	--	--
Net income	--	--	--	--	2,894,836
Balance, January 31, 1999	18,425,924	$ 184,259	$ 34,792,045	$ (212,951)	$ 4,964,358

	Accumulated Other Comprehensive Income	Total	Comprehensive Income (Loss)
Balance, October 31, 1997	(130,706)	11,934,712	(3,572,189)
Issuance of common stock and compensatory stock options in connection with AIM acquisition	--	1,615,706	--
Issuance of preferred stock in connection with BMG acquisition	--	9,539,063	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	--
Issuance of common stock in connection with DirectSoft acquisition	--	256,500	--
Redemption of preferred stock	--	(317)	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs ...	--	898,333	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	--	5,057,000	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	3,789	--
Exercise of stock options	--	159,263	--
Issuance of common stock in connection with early extinguishment of debt	--	187,354	--

Issuance of compensatory stock options	--	--	--
Amortization of deferred compensation	--	121,887	--
Foreign currency translation adjustment	123,273	123,273	123,273
Net income	--	6,250,094	6,250,094
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	(581,089)	--
Balance, October 31, 1998	(7,433)	35,380,182	6,373,367
Exercise of stock options	--	1,273,961	--
Amortization of deferred compensation	--	132,331	--
Issuance of compensatory stock options	--	--	--
Forfeiture of compensatory stock options in connection	--	--	--
with AIM acquisition	--	(146,418)	--
Foreign currency translation adjustment	(253,709)	(253,709)	(253,709)
Net income	--	2,894,836	2,894,836
Balance, January 31, 1999	$ (261,142)	$ 39,281,183	$ 2,641,127

The accompanying notes are an integral part of the consolidated financial statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Notes to Interim Consolidated Financial Statements
(Information at January 31, 1999 and for the three month periods
ended January 31, 1998 and 1999 is unaudited)

1. Organization:

Take-Two Interactive Software, Inc. (the "Company") was incorporated in the State of Delaware on September 30, 1993. Take-Two and its wholly owned subsidiaries, GearHead Entertainment ("GearHead"), Mission Studios Corporation ("Mission"), Take-Two Interactive Software Europe Limited ("TTE"), Alternative Reality Technologies ("ART"), Inventory Management Systems, Inc. ("IMSI"), Alliance Inventory Management ("AIM"), Jack of All Games, Inc. ("JAG"), Creative Alliance Group Inc. ("CAG"), Talonsoft, Inc. ("Talonsoft"), and DirectSoft Australia Pty. Ltd. ("DirectSoft") design, develop, publish, market and distribute interactive software games for use on multimedia personal computer and video game console platforms. The Company's interactive software games are sold primarily in the United States, Europe, Australia, and Asia.

2. Significant Accounting Policies and Transactions:

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments, consisting only of normal recurring entries necessary for a fair presentation have been included. Operating results for the three months ended January 31, 1999 are not necessarily indicative of the results that may be expected for the year ended October 31, 1999. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-KSB for the year ended October 31, 1998.

In August 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of common stock of the Company. In December 1998, the Company acquired all the outstanding stock of Talonsoft. Talonsoft is a developer and publisher of historical strategy games. To effect the acquisition, all of the outstanding shares of common stock of Talonsoft were exchanged for 1,033,336 shares of common stock of the Company. The acquisitions have been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the accompanying financial statements have been restated to include the results of operations and financial position for all periods presented prior to the business combinations.

Risk and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to: the recoverability of capitalized software development costs, prepaid royalties, advances to developers and other intangibles; allowances for returns and income taxes. Actual amounts could differ from those estimates.

Prepaid Royalties

Prepaid royalties were written down $656,698 for the three months ended January 31, 1999 to net realizable value. Amortization of prepaid royalties for the three months ended January 31, 1999 amounted to $1,929,839.

Capitalized Software Development Costs (Including Film Production Costs)

Capitalized software costs were written down by $168,000 for the three months ended January 31, 1999 to net realizable value. Amortization of capitalized software costs amounted to $50,000 for the three months ended January 31, 1999.

Segment Reporting

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which established standards for reporting information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 had no impact on the Company's results of operations, financial position or cash flows.

Revenue Recognition

Distribution revenue is derived from the sale of interactive software games bought from third parties and is recognized upon the shipment of product to retailers. Distribution revenue amounted to $34,469,905 and $44,389,431 for the three months ended January 31, 1998 and 1999, respectively. The Company's distribution arrangements with retailers generally do not give them the right to return products to the Company or to cancel firm orders, although the Company does accept product returns for stock balancing, price protection and defective products. The

Company sometimes negotiates accommodations to retailers, including price discounts, credits and product returns, when demand for specific products fall below expectations. Historically, the Company's rate of product returns for its distribution activities has been less than 1% of distribution revenues.

Publishing revenue is derived from the sale of internally developed interactive software games or from the sale of product licensed from a third party developer and is recognized upon the shipment of product to retailers. Publishing revenue amounted to $16,935,456 and $23,891,222 for the three months ended January 31, 1998 and 1999, respectively. The Company's publishing arrangements with retailers require the Company to accept product returns for stock balancing, markdowns or defective products. The Company establishes a reserve for future returns of published products at the time of product sales, based primarily on these return policies and historical return rates, and the Company recognizes revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

Geographic Information

For the three months ended January 31, 1998 and 1999, the Company's net sales in domestic markets accounted for approximately 97.2% and 78.7%, respectively, and net sales in international markets accounted for 2.8% and 21.3%, respectively.

As of January 31, 1999, the Company's net fixed assets in domestic and international markets are $1,291,148 and $676,210, respectively.

Recently Issued Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained For Internal Use," ("SOP 98-1"). This statement establishes capitalization criteria for external and internal computer software costs and is effective for financial statements for fiscal years beginning after December 15, 1998. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"), and is effective for fiscal years beginning after December 15, 1998. The statement requires costs of start-up activities and organization costs to be expensed as incurred, except for certain entities. Initial application of this SOP should be reported as the cumulative effect of a change in accounting principle. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In December 1998, the AICPA issued, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" which amends SOP 97-2, "Software Revenue Recognition" ("SOP 98-9"), to require recognition of revenue using the residual method. Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and subsequently recognized in accordance with the relevant sections of SOP 97-2 and the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements. Effective December 15, 1998, this SOP amends SOP 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition, to extend the deferral of the application of certain passages of SOP 97-2 provided by SOP 98-4 through fiscal years beginning on or before March 15, 1999. All other provisions of this SOP are effective for transactions entered into in fiscal years beginning after March 15, 1999. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

3. Business Acquisition

In August 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of common stock of the Company.

In December 1998, the Company acquired all the outstanding stock of Talonsoft. Talonsoft is a developer and publisher of historical strategy games. To effect the acquisition, all of the outstanding shares of common stock of Talonsoft were exchanged for 1,033,336 shares of common stock of the Company.

The acquisitions have been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the accompanying financial statements have been restated to include the results of operations and financial position for all periods presented prior to the business combinations. Certain operating expenses were reclassed to be consistent with the Company's financial statement presentation.

Separate results of the combining entities for the three months ended January 31, 1998 and 1999 are as follows:

	Three Months Ended January 31, 1998	Three Months Ended January 31, 1999
Total revenues:		
Take-Two	$22,068,437	$32,167,920
JAG	28,966,589	34,494,625
Talonsoft	370,335	1,618,108
	$51,405,361	$68,280,653
Net income attributable to common stockholders' - Basic:		
Take-Two	$ 1,240,989	$ 148,680
JAG	169,660	2,237,344
Talonsoft	48,532	508,812
	$ 1,459,181	$ 2,894,836
Net income per share - Basic	$ .11	$ .16
Net income attributable to common stockholders' - Diluted:		
Take-Two	$ 1,337,319	$ 148,680
JAG	169,660	2,237,344
Talonsoft	48,532	508,812
	$ 1,555,511	$ 2,894,836
Net income per share - Diluted	$ .10	$ .15

4. Income Taxes

The provisions for income taxes for the three months ended January 31, 1998 and 1999 are based on the Company's estimated annualized tax rate for the respective years, after giving effect to the utilization of available tax credits and tax planning opportunities.

5. Comprehensive Income

For the three months ended January 31, 1998 and 1999, the components of comprehensive income were:

	Three Months Ended January 31, 1998	1999
Net income	$ 1,459,181	$ 2,894,836
Change in foreign currency translation adjustment	120,288	(253,709)
Total comprehensive income	$ 1,579,469	$ 2,641,127

6. Net Income per Share

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the three months ended January 31, 1998 and 1999.

	Income	Shares	Per Share Amount
Three Months Ended January 31, 1998:			
Basic EPS	$ 1,459,181	13,258,379	$.11
Plus: Impact from assumed conversion of 10% convertible notes	96,330	65,338	
Effect of dilutive securities - Stock options and warrants		1,548,794	(.01)
Diluted EPS	$ 1,555,511	14,872,511	$.10
Three Months Ended January 31, 1999:			
Basic EPS	$ 2,894,836	18,212,240	$.16
Effect of dilutive securities - Stock options and warrants		1,322,171	(.01)
Diluted EPS	$ 2,894,836	19,534,411	$.15

The computation for diluted number of shares excludes unexercised stock options and warrants which are anti-dilutive. The number of such shares were 590,000 for the three months ended January 31, 1998. There were no anti-dilutive stock options or warrants for the three months ended January 31, 1999.

7. Subsequent Events

In February 1999, the Company acquired all of the outstanding capital stock of L.D.A. Distribution Limited ("LDA") and its subsidiary, Joytech Europe Limited ("Joytech"), a company incorporated in the United Kingdom. LDA is engaged in the distribution of video game software in the United Kingdom and France and Joytech is a third-party publisher of computer peripherals for first-party console manufacturers. The Company paid (pound)200,000 (approximately $328,000) and issued 580,000 shares of restricted Common Stock.

In February 1999, the Company purchased a 19.9% class A limited partnership interest in Gathering of Developers I, Ltd. ("Gathering"). Gathering is a developer-driven computer and video game publishing company. The Company's investment in Gathering amounted to $4 million, payable in six equal monthly installments of $667,000. The general partner and each class B limited partner of Gathering granted the Company an option to purchase their interests, exercisable on two separate occasions during the six-month periods ending April 30, 2001 and 2002. In consideration of the option grant, the Company issued to the general partner and the class B limited partners 125,000 shares of Common Stock. The Company also granted to the general partner and class B limited partners an option to purchase the Company's class A limited partnership interest, exercisable during the six-month period ending April 30, 2003.

In May 1998 the Company entered into a distribution agreement ("the Agreement") with Gathering, as amended in February 1999, which granted the company (i) the exclusive right to distribute in the United States and Canada all products designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (ii) the exclusive right to publish in Europe all products designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (iii) until recoupment of the advances described below, rights of first and last refusal for the exclusive worldwide publishing rights to any console version of products for which Gathering has publishing rights; and (iv) after recoupment of such advances, the rights of first and last refusal for publishing rights and which Gathering has publishing by or on behalf of Gathering on the PC or other non-console platform.

The agreement obligates the Company to pay Gathering recoupable advances of $12,500,000, payable over one year from the date of the agreement. The agreement is terminable by the Company with respect to a particular title in the event Gathering fails to deliver a title 60 days after its delivery date specified in the agreement or Gathering otherwise materially breaches the agreement. In any such event, Gathering is obligated to refund any un-recouped portion of the advance attributable to a particular title. In addition, Gathering may terminate the agreement with respect to a particular title in the event we materially breach the agreement and, upon any subsequent two material breaches, may terminate the entire agreement.

In February 1999, JAG entered into a line of credit with NationsBank, N.A. ("NationsBank") which provides for borrowings of up to $35,000,000 through September 30, 1999 and $45,000,000 thereafter. This line replaces the existing credit lines held separately by JAG and AIM. Advances under the line of credit are based on a borrowing formula equal to the lesser of (i) the borrowing limit in effect at the time or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus 0.5% and is payable monthly. Borrowings under the line of credit are collateralized by all of JAG's accounts, inventory, equipment, general intangibles, securities and other personal property. In addition to certain financial covenants, the loan agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidation with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on February 28, 2001.

In February 1999, the Company acquired DVDWave.com, an on-line marketer of DVD movie titles over the Internet, for 50,000 shares of the Company's common stock. The acquisition will be accounted for as a purchase transaction in accordance with APB No. 16.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein which are not historical facts are forward looking statements that involve risks and uncertainties, including but not limited to, risks associated with the Company's future growth and operating results, the ability of the Company to successfully integrate the businesses and personnel of newly acquired entities into its operations, changes in consumer preferences and demographics, technological change, competitive factors, unfavorable general economic conditions, Year 2000 compliance and other factors described herein. Actual results may vary significantly from such forward looking statements.

Overview

The Company derives its principal sources of revenues from publishing and distribution activities. Publishing revenues are derived from the sale of internally developed interactive entertainment software products or products licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware products. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of cartridges designed for video game consoles. The Company recognizes revenue from software sales when products are shipped. See Note 2 to Notes to Consolidated Financial Statements.

The Company's published products are subject to return if not sold to consumers, including for stock balancing, markdowns or defective products. The Company establishes a reserve for future returns of published products at the time of product sales, based primarily on these return policies and historical return rates, and the Company recognize revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues (less than 1% of distribution revenues). If future product returns significantly exceed these reserves, the Company's operating results would materially be adversely affected.

Research and development costs (consisting primarily of salaries and related costs) incurred prior to establishing technological feasibility are expensed in accordance with Financial Accounting Standards Board (FASB) Statement No. 86. In accordance with FASB 86, the Company capitalizes software development costs subsequent to establishing technological feasibility (completion of a detailed program design) which is amortized (included in cost of sales) based on the greater of the proportion of current year sales to total estimated sales commencing with the product's release or the straight line method. At January 31, 1999, the Company had capitalized $2,402,958 of software development costs. The Company evaluates the recoverability of capitalized software costs which may be reduced materially in future periods. See Note 2 to Notes to Consolidated Financial Statements.

Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by certain items reflected in the Company's statement of operations:

	Three Months Ended January 31, 1998	Three Months Ended January 31, 1999
Net sales	100.0%	100.0%
Cost of sales	79.4	78.4
Research and development costs	.9	.9
Selling and marketing	8.2	6.1
General and administrative	4.2	6.5
Depreciation and amortization	.7	.7
Interest expense	3.0	1.2
Income taxes	--	2.1
Net income	2.8	4.2

Results of Three Months Ended January 31, 1998 and 1999

Net sales increased by $16,875,292, or 32.8%, from $51,405,361 for the three months ended January 31, 1998 to $68,280,653 for the three months ended January 31, 1999. The increase in net sales was primarily attributable to the Company's expanded presence in international markets. International publishing revenues increased by $13,134,215 or 915.0%, from $1,435,453 for the three months ended January 31, 1998 to $14,569,668 for the three months ended January 31, 1999. In addition, revenues from distribution activities in the United States increased by $8,826,949, or 25.6% from $34,469,904 for the three months ended January 31, 1998 to $43,296,853 for the three months ended January 31, 1999.

Cost of sales increased by $12,740,271, or 31.2%, from $40,797,569 for the three months ended January 31, 1998 to $53,537,840 for the three months ended January 31, 1999. The increase in absolute dollars is primarily a result of the expanded scope of the Company's operations. Cost of sales as a percentage of net sales remained relatively constant primarily due to the offset of higher margin international publishing activities by lower margin distribution operations. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Research and development costs increased by $105,181, or 21.6%, from $486,963 for the three months ended January 31, 1998 to $592,144 for the three months ended January 31, 1999. This increase is primarily attributable to the Company's expansion of its product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Selling and marketing expenses decreased by $69,974, or 1.7%, from $4,231,177 for the three months ended January 31, 1998 to $4,161,203 for the three months ended January 31, 1999. Selling and marketing expenses as a percentage of net sales decreased to 6.1% for the three months ended January 31, 1999 from 8.2% for the three months ended January 31, 1998. The decrease in both absolute dollars and as a percentage of net sales is primarily attributable to the Company's acquisition of leading software distributors and its resulting shift from using third party distributors.

General and administrative expenses increased by $2,276,252, or 106.6%, from $2,135,246 for the three months ended January 31, 1998 to $4,411,498 for the three months ended January 31, 1999. General and administrative expenses as a percentage of net sales increased to 6.5% for the three months ended January 31, 1999 from 4.2% for the three months ended January 31, 1998. This increase in both absolute dollars and as a percentage of net sales is primarily attributable to salaries, rent, insurance premiums and professional fees associated with the Company's expanded operations.

Depreciation and amortization expense increased by $76,873, or 20.4%, from $376,542 for the three months ended January 31, 1998 to $453,415 for the three months ended January 31, 1999 is primarily due to the depreciation of assets acquired in March 1998.

Interest expense decreased by $731,518, or 47.3%, from $1,548,035 for the three months ended January 31, 1998 to $816,517 for the three months ended January 31, 1999. The decrease resulted primarily from lower interest rates on borrowings.

Income taxes increased by $1,404,552, from $8,648 for the three months ended January 31, 1998 to $1,413,200 for the three months ended January 31, 1999. The increase resulted primarily from the full utilization of net operating loss carryforwards in fiscal 1998.

As a result of the foregoing, the Company achieved net income of $2,894,836 for the three months ended January 31, 1999, as compared to net income of $1,459,181 for the three months ended January 31, 1998.

Liquidity and Capital Resources

The Company's primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically financed its operations through advances made by distributors, the issuance of debt and equity securities and bank borrowings. At January 31, 1999, the Company had working capital of $25,980,469 as compared to working capital of $21,797,097 at October 31, 1998. The increase in working capital was primarily attributable to the decrease in accounts payable as of January 31, 1999.

Net cash provided by operating activities for the three months ended January 31, 1999 was $177,843 as compared to net cash provided by operating activities of $4,660,934 for the three months ended January 31, 1998. The decrease was primarily attributable to a decrease in accounts receivable and prepaid expenses and other assets. Net cash used in investing activities for the three months ended January 31, 1999 was $184,408 as compared to net cash used in investing activities of $1,252,344 for the three months ended January 31, 1998. The decrease in net cash used in investing was primarily attributable to the AIM acquisition that occurred in 1998. Net cash provided by financing activities for the three months ended January 31, 1999 was $2,245,258 as compared to net cash used in financing activities of $3,855,611 for the three months ended January 31, 1998. The increase in net cash provided by financing activities was primarily attributed to a decrease in repayments on the Company's debt instruments and an increase in proceeds from the exercise of stock options. At January 31, 1999, the Company had cash and cash equivalents of $4,761,396.

In February 1999, JAG entered into a line of credit with NationsBank, N.A. ("NationsBank") which provides for borrowings of up to $35,000,000 through September 30, 1999 and $45,000,000 thereafter. This line replaces the existing credit lines held separately by JAG and AIM. Advances under the line of credit are based on a borrowing formula equal to the lesser of (i) the borrowing limit in effect at the time or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus 0.5% and is payable monthly. Borrowings under the line of credit are collateralized by all of JAG's accounts, inventory, equipment, general intangibles, securities and other personal property. In addition to certain financial covenants, the loan agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidation with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on February 28, 2001.

The Company's accounts receivable at January 31, 1999 were $47,493,189, net of allowances of $1,526,808. Most of the Company's receivables are covered by insurance and have been collected in the ordinary course of business to date. Delays in collection or uncollectibility of accounts receivable could adversely affect the Company's working capital position. The Company is subject to credit risks, particularly in the event that any of its receivables represent sales to a limited number of retailers or distributors or are concentrated in foreign markets, which could require the Company to increase its allowance for doubtful accounts. The Company has credit insurance for most receivables.

Based on plans and assumptions relating to its operations, the Company believes that projected cash flow from operations and available cash resources will be sufficient to satisfy its contemplated cash requirements for the reasonably foreseeable future. To the extent the Company continues to implement its expansion plans, the Company may seek to obtain additional financing. There can be no assurance that projected cash flow from operations and available cash resources will be sufficient to fund the Company's operations or that additional financing will be available to the Company, if required.

Fluctuations in Operating Results and Seasonality

The Company has experienced and may continue to experience fluctuations in operating results as a result of delays in the introduction of principal titles; product and platform mix; the size and growth rate of the consumer software market; market acceptance of the Company's products; development and promotional expenses relating to the introduction of new products; sequels or enhancements of existing products; the timing and success of product introductions by the Company and its competitors; changes in pricing policies by the Company and its competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in shipment.

Sales of the Company's products are seasonal, with peak product shipments typically occurring in the fourth calendar quarter (the Company's fourth and first fiscal quarter) as a result of increased demand for products during the year-end holiday season.

International Operations

Product sales in international markets, primarily in the United Kingdom and other countries in Europe and the Pacific Rim, have accounted for an increasing portion of the Company's revenues. For the three months ended January 31, 1998 and 1999, sales of products in international markets accounted for approximately 2.8% and 21.3%, respectively, of the Company's revenues. The Company is subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant impact on the Company's operating results. Product sales in France and Germany are made in local currencies. The Company does not engage in foreign currency hedging transactions.

Year 2000

The inability of many existing computers to recognize and properly process data as the Year 2000 approaches may cause many computer software applications to fail or reach erroneous results. The Company has assessed potential issues that may result from the Year 2000 and is upgrading its accounting and management information software, which the Company expects to complete by June 1999. The Company does not contemplate incurring material costs in connection with ensuring year 2000 readiness.

The Company has contacted principal third-party suppliers to determine their year 2000 readiness and believes that such suppliers are in the process of becoming year 2000 compliant. However, the Company's failure or the failure of the Company's third-party suppliers to correct a material year 2000 problem could result in an interruption in, or a failure of, certain of the Company's business operations.

Statement of Financial Accounting Standards Not Yet Adopted

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained For Internal Use," ("SOP 98-1"). This statement establishes capitalization criteria for external and internal computer software costs and is effective for financial statements for fiscal years beginning after December 15, 1998. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"), and is effective for fiscal years beginning after December 15, 1998. The statement requires costs of start-up activities and organization costs to be expensed as incurred, except for certain entities. Initial application of this SOP should be reported as the cumulative effect of a change in accounting principle. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In December 1998, the AICPA issued, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" which amends SOP 97-2, "Software Revenue Recognition" ("SOP 98-9"), to require recognition of revenue using the residual method. Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and subsequently recognized in accordance with the relevant sections of SOP 97-2 and the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements. Effective December 15, 1998, this SOP amends SOP 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition, to extend the deferral of the application of certain passages of SOP 97-2 provided by SOP 98-4 through fiscal years beginning on or before March 15, 1999. All other provisions of this SOP are effective for transactions entered into in fiscal years beginning after March 15, 1999. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

In December 1998, the Company issued 1,033,336 shares of Common Stock in connection with the acquisition of Talonsoft.

In December 1998, the Company issued 100,000 warrants to purchase shares of Common Stock in consideration of consulting fees.

In November 1998, the Company issued 5,043 shares of Common Stock in connection with a financing arrangement.

In connection with the above securities issuances, the Company relied on Section 4(2) and Regulation D promulgated under the Securities Act of 1933, as amended. Each purchaser of securities is an "accredited investor".

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

Current Report on Form 8-K dated December 22, 1998 reporting under Item 5 - Other Events

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Take-Two Interactive Software, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Take-Two Interactive Software, Inc.

By: /s/ Ryan A. Brant Dated: March 16, 1999

Ryan A. Brant
Chief Executive Officer

By: /s/ Larry Muller Dated: March 16, 1999

Larry Muller
Chief Financial Officer

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE COMPANY'S FINANCIAL STATEMENT INCLUDED IN THIS QUARTERLY REPORT ON
FORM 10-Q, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

3-MOS
JAN-31-1999
JAN-31-1999
4,761,396
0
49,019,997
1,526,808
23,074,122
94,009,153
3,749,135
1,781,777
107,641,084
68,028,684
0
0
0
184,259
39,282,310
107,641,084
68,280,653
68,280,653
53,537,840
53,537,840
1,045,559
0
816,517
4,308,036
1,413,200
0
0
0
0
2,894,836
0.16
0.15