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 June 30, 1997

O R

[ ]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 0-12699

ACTIVISION, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2606438
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3100 Ocean Park Boulevard, Santa Monica, CA	90405
(Address of principal executive offices)	(Zip Code)

(310) 255-2000
(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 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 [ ]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court: Yes [X] No [ ]

The number of shares of the registrant's Common Stock outstanding as of August 12, 1997 was 14,462,934.

ACTIVISION, INC.

INDEX

Part I - Financial Information

Item 1. Financial Statements

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(in thousands except share data)

	June 30, 1997 (Unaudited)	March 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$14,426	$17,639
Accounts receivable, net of allowances of $4,787 and $6,468 respectively	24,190	36,367
Inventories, net	3,675	4,520
Prepaid software and license royalties	8,711	6,559
Other assets	2,590	1,222
Deferred income taxes	4,611	1,493
Total current assets	58,203	67,800
Property and equipment, net	6,874	5,090
Deferred Income Taxes	4,212	4,212
Other assets	257	255
Excess purchase price over identifiable assets acquired, net	18,383	18,313
Total assets	$87,929	$95,670
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$4,546	$7,054
Accrued expenses	6,054	7,808
Total current liabilities	10,600	14,862
Other liabilities	-	-
Total liabilities	10,600	14,862
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.000001 par value, 50,000,000 shares authorized, 14,799,739 and 14,644,895 shares issued and 14,299,739 and 14,144,895 outstanding , respectively	-	-

Additional paid-in capital	80,022	78,484
Retained earnings	2,727	7,815
Cumulative foreign currency translation	(142)	(213)
Less: Treasury stock, cost of 500,000 shares	(5,278)	(5,278)
Total shareholders' equity	77,329	80,808
Total liabilities and shareholders' equity	$87,929	$95,670

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

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the quarters ended June 30,

(in thousands except loss per share data)

(Unaudited)

	1997	1996
Net revenues	$ 8,053	$ 7,021
Cost of goods sold	4,275	1,509
Gross profit	3,778	5,512
Operating expenses:		
Product development	5,803	4,547
Sales and marketing	4,619	3,641
General and administrative	1,403	1,229
Amortization of intangible assets	306	321
Total operating expenses	12,131	9,738
Operating loss	(8,353)	(4,226)
Other income:		
Interest, net	162	312
Loss before income tax benefit	(8,191)	(3,914)
Income tax benefit	(3,103)	(1,283)
Net loss	$(5,088)	$(2,631)
Net loss per common share	$ (0.36)	$ (0.19)
Number of shares used in computing net loss per common share	14,222	13,812

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

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

For the quarters ended June 30,

(in thousands)

Increase (Decrease) in Cash

(Unaudited)

	1997	1996
Cash flows from operating activities:		
Net loss	(5,088)	(2,631)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred income taxes	(3,118)	(1,257)
Depreciation and amortization	898	762
Change in assets and liabilities:		
Accounts receivable	12,177	6,183
Inventories	845	(464)
Prepaid software and license royalties	(2,152)	(1,964)
Other current assets	(1,368)	(453)
Other assets	(2)	1
Accounts payable	(2,508)	(1,650)
Accrued liabilities	(1,754)	(277)
Net cash used in operating activities	$(2,070)	$(1,750)
Cash flows from investing activities:		
Purchase of Take Us! GmbH Marketing	(246)	-
Capital expenditures	(2,356)	(1,089)
Net cash used in investing activities	(2,602)	(1,089)
Cash flows from financing activities:		
Proceeds from issuance and exercise of common stock options and warrants	1,388	332
Net cash provided by financing activities	1,388	332
Effect of exchange rate changes on cash	71	33
Net decrease in cash and cash equivalents	(3,213)	(2,474)
Cash and cash equivalents at beginning of period	17,639	25,288
Cash and cash equivalents at end of period	$14,426	$22,814
Non-cash investing activities:		
Stock issued in exchange for licensing rights	-	$ 822
Stock issued in purchase of Take Us! GmbH Marketing	$ 136	-

The accompanying notes are an integral part of these condensed consolidated financial statements

Activision, Inc.
Notes to Condensed Consolidated Financial Statements
For the Quarter Ended Jun 30, 1997

(Unaudited)

1.Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Activision, Inc. and its subsidiaries. The information furnished is unaudited and reflects all adjustments which, in the opinion of management, are necessary to provide a fair statement of the results for the interim periods presented. The financial statements should be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 1997.

Certain amounts in the condensed consolidated financial statements have been reclassified to conform with the current period's presentation. These reclassifications had no impact on previously reported working capital or results of operations.

2.Inventories

Inventories comprise (amounts in thousands):

	June 30, 1997	March 31, 1996
Finished goods	$2,235	$3,358
Purchased parts and components	1,440	1,162
	$3,675	$4,520

3.Software Development Costs

Statement of Financial Accounting Standard No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," provides for the capitalization of certain software development costs once technological feasibility is established. The capitalized costs are then amortized on a straight-line basis over the estimated product life, or on the ratio of current revenues to total projected revenues, whichever is greater. The software development costs that have been capitalized to date have been immaterial.

4. Revenue Recognition

Product Sales

The Company recognizes revenues from the sale of its products upon shipment. Subject to certain limitations, the Company permits customers to obtain exchanges within certain specified periods and provides price protection on certain unsold merchandise. Revenues from product sales are reflected net of the allowance for returns and price protection.

Software Licenses

For those license agreements which provide the customers the right to multiple copies in exchange for guaranteed amounts, revenues are recognized at delivery of the product master or the first copy. Per copy royalties on sales which exceed the guarantee are recognized as earned.

5.Amortization of Intangible Assets

The Company's merger with The Disc Company, Inc. effective April 1, 1992 was accounted for by the purchase method of accounting, resulting in an intangible asset of approximately $24,417,000. This intangible asset is being amortized on a straight-line basis over a 20 year period. Amortization for each of the years ended March 31, 1997, 1996 and 1995 was approximately $1,221,000. The company adopted the provisions of SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of," on April 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations, or liquidity.

6. Subsequent Event - Acquisition of Raven Software Corporation

On August 5, 1997, the Company entered into an agreement to acquire Raven Software Corporation in exchange for 1,040,000 shares of the Company's common stock. The transaction is expected to close by the end of August 1997. This transaction is expected to be accounted for as a pooling of interests.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q, including Item 2 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") contains forward looking statements regarding future events or the future financial performance of the Company that involve certain risks and uncertainties discussed in the Company's Annual Report on Form 10-K under "Certain Cautionary Information" on pages 4 to 8 of such Report. Actual events or the actual future results of the Company may differ materially from any forward looking statement due to such risks and uncertainties.

Overview

The Company is a diversified international publisher of interactive entertainment software. The Company develops and publishes entertainment software for a variety of platforms, including both personal computer CD-ROM PC systems, such as the Windows 95 and Apple Macintosh operating systems, and videogame console hardware systems, such as the Sony Playstation and Sega Saturn. The Company distributes its products worldwide through its direct sales force and, to a lesser extent, through third party distributors and licensees.

For purposes of the presentation set forth below, net revenues from and cost of goods sold related to console systems consist of sales and costs relating to all entertainment software products designed by the Company for operation on a hardware device that is connected to a television set and displayed on a television screen. The Company designs products for operation on many of these systems, and normally it is required to pay a license fee for the right to create products for a particular system. Net revenues from and cost of goods sold related to PC systems consist of sales and costs relating to all entertainment software products designed by the Company for operation through a personal computer's operating system software and that is displayed on the computer's monitor. The Company generally is not obligated to pay an operating system license fee for the right to produce PC products.

Results of Operations

Net Revenues

Net revenues for the quarter ended June 30, 1997 increased 14.7% from the same period last year. The increase in net revenues was primarily due to an increase in net revenues in Europe during the quarter, partially offset by a decrease in net revenues in North America. Europe net revenues increased during the quarter due to the Company's expansion in this territory along with an increase in the number of localized products for the territory over the same period in the prior year. The decrease in North America net revenues was attributable to an increase in the provision for sales returns and mark-downs related to a slow-down in retail sell-through of recently released PC and Sony Playstation titles.

Net revenues by territory were as follows (amounts in thousands):

	Quarter Ended June 30,				
	1997		1996		
	Amount	% of Net Revenues	Amount	% of Net Revenues	%Change

North America	$4,971	62%	$5,473	78%	-9%
Europe	1,865	23%	723	10%	158%
Japan	174	2%	284	4%	-39%
Asia/Pacific	765	9%	470	7%	63%
Latin America	278	4%	71	1%	292%
	$8,053	100%	$7,021	100%	15%

Net revenues by device/medium were as follows (amounts in thousands):

	Quarter Ended June 30,				
	1997		1996		
	Amount	% of Net Revenues	Amount	% of Net Revenues	%Change
Console	$ -	0%	$ 53	1%	NM%
PC	8,053	100%	6,968	99%	16%
	$8,053	100%	$7,021	100%	15%

Net revenues by distribution channel were as follows (amounts in thousands):

	Quarter Ended June 30,				
	1997		1996		
	Amount	% of Net Revenues	Amount	% of Net Revenues%	Change
Retailer/Reseller	$3,579	44%	$2,614	37%	37%
OEM	3,771	47%	3,455	49%	9%
On-line, licensing and other	703	9%	952	14%	-26%
	$8,053	100%	$7,021	100%	15%

Cost of Goods Sold; Gross Profit

Cost of goods sold related to console, PC and OEM net revenues represent the manufacturing and related costs of computer software and console games. Manufacturers of the Company's computer software are located in the United States and Europe and are readily available. Console cartridges and CDs are manufactured by the respective video game console manufacturers, Sony, Sega and Nintendo, who often require significant lead time to fulfill the Company's orders.

Also included in cost of goods sold is the royalty expense related to amounts due to developers, product owners or other royalty participants as a result of product sales. Various contracts are maintained with developers, product owners or other royalty participants which state a royalty rate, territory and term of agreement, among other items.

For the quarter ended June 30, 1997, gross profit as a percentage of net revenues was 46.9% compared to 78.5% for the quarter ended June 30, 1996. The decrease in gross profit as a percentage of net revenues was primarily the result of an increase in the provision for returns and an increase in the percentage of new products released by the Company that were externally developed. Future determination of gross profit as a percentage of net revenues will be driven primarily by the mix of new PC and console products released by the Company during the applicable period, as well as the mix of internal versus external product development, the latter in each case resulting in lower gross profit margins.

Operating Expenses

	Quarter Ended June 30,			
	1997		1996	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Product development	$5,803	72.1%	$4,547	64.8%
Sales and marketing	4,619	57.4%	3,641	51.9%
General and administrative	1,403	17.4%	1,229	17.5%
Amortization of excess purchase price and reorganization expenses	306	3.8%	321	4.6%
Total operating expenses	$12,131	150.7%	$9,738	138.8%

Product development expenses increased, both in amount and as a percentage of net revenues, for the quarter ended June 30, 1997 due to an overall increase in production costs associated with 3-D programming and console programming technology and artwork, generally higher average development costs for products, an increase in the number of products to be localized for foreign territories and an increase in the overall number of products in development. Sales and marketing expenses also increased both in amount and as a percentage of revenues as a result of a worldwide expansion of the professional product sales and marketing infrastructure needed to manage the Company's increased product release schedule. General and administrative expenses for the quarter remained constant as a percentage of net revenues from the same quarter in the prior year.

Other Income (Expense)

Interest income was $162,000 and $312,000 for the quarters ended June 30, 1997 and 1996, respectively. The decrease was due to the decrease in cash and cash equivalents during the current fiscal quarter as compared to the same period in the prior year.

Income Tax Benefit

The income tax benefit of $3,103,000 and $1,283,000 for the quarters ended June 30, 1997 and June 30, 1996, respectively, reflects the Company's expected effective income tax rate for the fiscal years ended March 31, 1998 and March 31, 1997. The income tax benefit was recorded based on recent operating history as well as a current assessment that operations will generate taxable income for the fiscal year.

Net Loss

For the reasons noted above, there was an increase in the net loss recorded for the quarter ended June 30, 1997 as compared to the net loss for the quarter ended June 30, 1996. Net loss for the quarter ended June 30, 1997 was $5,088,000 compared to a net loss of $2,631,000 for the same period of the prior fiscal year.

Seasonality

The Company's quarterly operating results have in the past varied significantly and will likely in the future vary significantly depending on many factors, some of which are not under the Company's control. For example, net revenues may be higher during the fourth calendar quarter as a result of increased demand for consumer software during the year-end holiday buying season. Net revenues in other quarters can vary significantly as a result of the timing of new product introductions.

Products are generally shipped as orders are received, and consequently the Company operates with little or no backlog. Net revenues in any quarter are therefore substantially dependent on orders booked and shipped in that quarter. The Company's expense levels are based in large part on the Company's product development and marketing budgets for the applicable period. The majority of product development and marketing costs are expensed as incurred, which is often before a product ever is released. As the Company increases its development and marketing activities, current expenses will increase and, if sales from recently released products are below expectations, net income is likely to be disproportionately affected. Due to all of the foregoing, revenues and operating results for any future quarter are not predictable with any significant degree of accuracy. Accordingly, the Company believes that period-to-period comparisons of operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Liquidity and Capital Resources

The Company's working capital decreased $5.3 million from March 31, 1997 to June 30, 1997 as a result of the funding of the Company's expanding operations and capital expenditures. At June 30, 1997, net accounts receivable and inventories were $27.9 million, a decrease of $13.0 million from $40.9 million as of March 31, 1997. The decrease is due primarily to a decrease in the Company's product sales in the first quarter of this fiscal year as compared to the quarter ended March 31, 1997.

As of June 30, 1997, total accounts payable and accrued liabilities were approximately $10.6 million versus $14.9 million at March 31, 1997. The decrease at June 30, 1997 is related to the decrease in cost of goods sold for the quarter ended June 30, 1997 as compared to the quarter ended March 31, 1997.

During the quarter ended June 30, 1997, capital expenditures totaled approximately $2.4 million, which was primarily comprised of costs related to the Company moving its Los Angeles office to a new facility in Santa Monica, California.

The Company's principal source of liquidity is $14.4 million in cash and cash equivalents. The Company uses its working capital to finance ongoing operations, including acquisitions of inventory and equipment, to fund the development, production, marketing and selling of new products, and to obtain intellectual property rights for future products from third parties. Management believes that the Company's existing capital resources are sufficient to meet its current operational requirements for the foreseeable future.

The Company's management currently believes that inflation has not had a material impact on continuing operations.

Subsequent Event - Acquisition of Raven Software Corporation

On August 5, 1997, the Company entered into an agreement to acquire Raven Software Corporation in exchange for 1,040,000 shares of the Company's common stock. The transaction is expected to close by the end of August 1997. This transaction is expected to be accounted for as a pooling of interests.

Factors Affecting Future Performance

In connection with the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"), the Company is hereby disclosing certain cautionary information to be used in connection with written materials (including this Quarterly Report on Form 10-Q) and oral statements made by or on behalf of its employees and representatives that may contain "forward-looking statements" within the meaning of the Litigation Reform Act. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The listener or reader is cautioned that all forward-looking statements are necessarily speculative and there are numerous risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. The discussion below highlights some of the more important risks identified by management, but should not be assumed to be the only factors that could affect future performance. The reader or listener is cautioned that the Company does not have a policy of updating or revising forward-looking statements and thus he or she should not assume that silence by management over time means that actual events are bearing out as estimated in such forward-looking statements.

Fluctuations In Quarterly Results; Future Operating Results Uncertain; Seasonality. The Company's quarterly operating results have in the past varied significantly and will likely in the future vary significantly depending on numerous factors, many of which are not under the Company's control. Such factors include, but are not limited to, demand for the Company's products and those of its competitors, the size and rate of growth of the interactive entertainment software market, development and promotional expenses relating to the introduction of new products, changes in desktop and set-top platforms, product returns, the timing of orders from major customers, delays in shipment, the level of price competition, the timing of product introduction by the Company and its competitors, product life cycles, software defects and other product quality problems, the level of the Company's international revenues, and personnel changes. Products are generally shipped as orders are received, and consequently, the Company operates with little or no backlog. Net revenues in any quarter are, therefore, substantially dependent on orders booked and shipped in that quarter.

The Company's expenses are based in large part on the Company's product development and marketing budgets. Product development and marketing costs are expensed as incurred, which is often long before a product ever is released. In addition, a large portion of the Company's expenses are fixed. As the Company increases its development and marketing activities, current expenses will increase and, if sales from recently released products are below expectations, net income is likely to be disproportionately affected.

Due to all of the foregoing, revenues and operating results for any future quarter are not predictable with any significant degree of accuracy. Accordingly, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

The Company's business has experienced and is expected to continue to experience significant seasonality, in part due to consumer buying patterns. Net revenues are typically significantly higher during the fourth calendar quarter, due primarily to the increased demand for consumer software during the year-end holiday buying season. Net revenues in other quarters are generally lower and vary significantly as a result of new product introductions and other factors. For example, the Company's net revenues in its last five quarters were $8.1 million for the quarter ended June 30, 1997, $28.9 million for the quarter ended March 31, 1997, $31.4 million for the quarter ended December 31, 1996, $19.2 million for the quarter ended September 30, 1996 and $7.0 million for the quarter ended June 30, 1996. The Company expects its net revenues and operating results to continue to reflect significant seasonality.

Dependence On New Product Development; Product Delays. The Company's future success depends on the timely introduction of successful new products to replace declining revenues from older products. If, for any reason, revenues from new products were to fail to replace declining revenues from older products, the Company's business, operating results and financial condition would be materially and adversely affected. In addition, the Company believes that the competitive factors in the interactive entertainment software marketplace create the need for higher quality, distinctive products that incorporate increasingly sophisticated effects and the need to support product releases with increased marketing, resulting in higher development and marketing costs. The lack of market acceptance or the significant delay in the introduction of, or the presence of a defect in, one or more new products could have a material adverse effect on the Company's business, operating results and financial condition, particularly in view of the seasonality of the Company's business. Further, because a large portion of a product's revenue is generally associated with initial shipments, the delay of a product introduction expected near the end of a fiscal quarter may have a material adverse affect on the operating results for that quarter.

The Company has, in the past, experienced significant delays in the introduction of certain new products. The timing and success of interactive entertainment products remain unpredictable due to the complexity of product development, including the uncertainty associated with technological developments. Although the Company has implemented substantial development controls, there will likely be delays in developing and introducing new products in the future. There can be no assurance that new products will be introduced on schedule, or at all, or that they will achieve market acceptance or generate significant revenues.

From time to time, the Company utilizes independent contractors for certain aspects of product development and production. The Company has also increased its acquisition of products developed entirely by independent third party developers. The Company has less control over the scheduling and the quality of work by independent contractors and third party developers than that of its own employees. A delay in the work performed by independent contractors and third party developers or a lack of quality in such work may result in product delays and poor product performance. Although the Company intends to rely in significant part on internal product development, the Company's business and future operating results also will depend, to a certain extent, on the Company's continued ability to maintain relationships with skilled independent contractors and third party developers. There can be no assurance that the Company will be able to maintain such relationships.

Uncertainty Of Market Acceptance; Short Product Life Cycles. The market for entertainment systems and software has been characterized by shifts in consumer preferences and short product life cycles. Consumer preferences for entertainment software products are difficult to predict and few entertainment software products achieve sustained market acceptance. There can be no assurance that new products introduced by the Company will achieve any significant degree of market acceptance, that such acceptance will be sustained for any significant period, or that product life cycles will be sufficient to permit the Company to recoup development, marketing and other associated costs. In addition, if market acceptance is not achieved, the Company could be forced to accept substantial product returns to maintain its relationships with retailers and its access to distribution channels. Failure of new products to achieve or sustain market acceptance or product returns in excess of the Company's expectations would have a material adverse effect on the Company's business, operating results and financial condition.

Product Concentration; Dependence On Hit Products. A key aspect of the Company's strategy is to focus its development efforts on selected, high quality entertainment software products. The Company derives a significant portion of its revenues from a select number of high quality entertainment software products released each year, and many of these products have substantial production and marketing budgets. Due to this dependence on a limited number of products, the Company may be adversely affected if one or more principal products fail to achieve anticipated results.

The Company's strategy also includes as a key component developing and releasing products that have franchise value, such that sequels, enhancements and add-on products can be released over time, thereby extending the life of the property in the market. While the focus on franchise properties, if successful, results in extending product life cycles, it also results in the Company depending on a limited number of titles for its revenues. There can be no assurance that the Company's existing franchise titles can continue to be exploited as successfully as in the past. In addition, new products that the Company believes will have potential value as franchise properties may not achieve market acceptance and therefore may not be a basis for future releases.

Industry Competition; Competition For Shelf Space. The interactive entertainment software industry is intensely competitive. Competition in the industry is principally based on product quality and features, the compatibility of products with popular platforms, company or product line brand name recognition, access to distribution channels, marketing effectiveness, reliability and ease of use, price and technical support. Significant financial resources also have become a competitive factor in the entertainment software industry, principally due to the substantial cost of product development and marketing that is needed for best-selling titles. In addition, competitors with broad product lines and popular titles typically have greater leverage with distributors and other customers who may be willing to promote titles with less consumer appeal in return for access to such competitors' most popular titles.

The Company's competitors range from small companies with limited resources to large companies with substantially greater financial, technical and marketing resources than those of the Company. The Company's competitors currently include Electronic Arts, Inc., Lucas Arts Entertainment Company, Microsoft Corporation ("Microsoft"), Sega, Nintendo, Sony, CUC International, Inc., Good Times Interactive, Inc. and Spectrum Holobyte, Inc., among many others.

As competition increases, significant price competition, increased production costs and reduced profit margins may result. Prolonged price competition or reduced demand would have a material adverse effect on the Company's business, operating results and financial condition. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that competitive pressures faced by the Company will not have a material adverse affect on its business, operating results and financial condition.

Retailers typically have a limited amount of shelf space, and there is intense competition among entertainment software producers for adequate levels of shelf space and promotional support from retailers. As the number of entertainment software products has increased, the competition for shelf space has intensified resulting in greater leverage for retailers and distributors in negotiating terms of sale, including price discounts and product return policies. The Company's products constitute a relatively small percentage of a retailer's sales volume, and there can be no assurance that retailers will continue to purchase the Company's products or promote the Company's products with adequate levels of shelf space and promotional support.

Changes In Technology And Industry Standards. The consumer software industry is continuing to undergo rapid changes, including evolving industry standards, frequent new platform introductions and changes in consumer requirements and preferences. The introduction of new technologies, including operating systems such as Microsoft's Windows 95, technologies that support multi-player games, and new media formats such as on-line delivery and digital video disks ("DVD"), could render the Company's previously released products obsolete or unmarketable. The development cycle for products utilizing new operating systems, microprocessors or formats may be significantly longer than the Company's current development cycle for products on existing operating systems, microprocessors and formats and may require the Company to invest resources in products that may not become profitable. There can be no assurance that the mix of the Company's future product offerings will keep pace with technological changes or satisfy evolving consumer preferences or that the Company will be successful in developing and marketing products for any future operating system or format. Failure to develop and introduce new products and product enhancements in a timely fashion could result in significant product returns and inventory obsolescence and could have a material adverse effect on the Company's business, operating results and financial condition.

Limited Protection Of Intellectual Property And Proprietary Rights; Risk Of Litigation. The Company holds copyrights on its products, manuals, advertising and other materials and maintains trademark rights in the Company's name, the Activision logo, and the names of products owned by the Company. The Company regards its software as proprietary and relies primarily on a combination of trademark, copyright and trade secret laws, employee and third-party nondisclosure agreements, and other methods to protect its proprietary rights. Unauthorized copying is common within the software industry, and if a significant amount of unauthorized copying of the Company's products were to occur, the Company's business, operating results and financial condition could be adversely affected. There can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to current or future products. As is common in the industry, from time to time the Company receives notices from third parties claiming infringement of intellectual property rights of such parties. The Company investigates these claims and responds as it deems appropriate. Any claims or litigation, with or without merit, could be costly and could result in a diversion of management's attention, which could have a material adverse effect on the Company's business, operating results and financial condition. Adverse determinations in such claims or litigation could also have a material adverse effect on the Company's business, operating results and financial condition.

Policing unauthorized use of the Company's products is difficult, and while the Company is unable to determine the extent to which piracy of its software products exists, software piracy can be expected to be a persistent problem. In selling its products, the Company relies primarily on "shrink wrap" licenses that are not signed by licensees and, therefore, may be unenforceable under the laws of certain jurisdictions. Further, the Company enters into transactions in countries where intellectual property laws are not well developed or are poorly enforced. Legal protections of the Company's rights may be ineffective in such countries.

Dependence On Key Personnel. The Company's success depends to a significant extent on the performance and continued service of its senior management and certain key employees. Competition for highly skilled employees with technical, management, marketing, sales, product development and other specialized training is intense, and there can be no assurance that the Company will be successful in attracting and retaining such personnel. Specifically, the Company may experience increased costs in order to attract and retain skilled employees. Although the Company generally enters into term employment agreements with its skilled employees and other key personnel, there can be no assurance that such employees will not leave the Company or compete against the Company. The Company's failure to attract additional qualified employees or to retain the services of key personnel could have a material adverse affect on the Company's business, operating results and financial condition.

Dependence On Distributors; Risk Of Customer Business Failure; Product Returns. Certain mass market retailers have established exclusive buying relationships under which such retailers will buy consumer software only from one intermediary. In such instances, the price or other terms on which the Company sells to such retailers may be adversely affected by the terms imposed by such intermediary, or the Company may be unable to sell to such retailers on terms which the Company deems acceptable. The loss of, or significant reduction in sales attributable to, any of the Company's principal distributors or retailers could materially adversely affect the Company's business, operating results and financial condition. Distributors and retailers in the computer industry have from time to time experienced significant fluctuations in their businesses and there have been a number of business failures among these entities. The insolvency or business failure of any significant distributor or retailer of the Company's products could have a material adverse effect on the Company's business, operating results and financial condition. Sales are typically made on credit, with terms that vary depending upon the customer and the nature of the product. The Company does not hold collateral to secure payment. Although the Company has obtained insolvency risk insurance to protect against any bankruptcy filings that may be made by its customers, such insurance contains a significant deductible as well as a co-payment obligation, and the policy does not cover all instances of non-payment. In addition, the Company maintains a reserve for uncollectible receivables that it believes to be adequate, but the actual reserve that is maintained may not be sufficient in every circumstance. As a result of the foregoing, a payment default by a significant customer could have a material adverse effect on the Company's business, operating results and financial condition.

The Company also is exposed to the risk of product returns from distributors and retailers. Although the Company provides reserves for returns that it believes are adequate, and although the Company's agreements with certain of its customers place certain limits on product returns, the Company could be forced to accept substantial product returns to maintain its relationships with retailers and its access to distribution channels. Product returns that exceed the Company's reserves could have a material adverse effect on the Company's business, operating results and financial condition.

Risks Associated With International Operations. International net revenues accounted for 28%, 23%, 25% and 38% of the Company's total revenues in the fiscal years 1995, 1996 and 1997 and quarter ended June 30, 1997, respectively. The Company intends to continue to expand its direct and indirect sales and marketing activities worldwide. Such expansion will require significant management time and attention and financial resources in order to develop adequate international sales and support channels. There can be no assurance, however, that the Company will be able to maintain or increase international market demand for its products. International sales are subject to inherent risks, including the impact of possible recessionary environments in economies outside the United States, the costs of transferring and localizing products for foreign markets, longer receivable collection periods and greater difficulty in accounts receivable collection, unexpected changes in regulatory requirements, difficulties and costs of staffing and managing foreign operations, and political and economic instability. There can be no assurance that the Company will be able to sustain or increase international revenues or that the foregoing factors will not have a material adverse effect on the Company's future international revenues and, consequently, on the Company's business, operating results and financial condition. The Company currently does not engage in currency hedging activities. Although exposure to currency fluctuations to date has been insignificant, there can be no assurance that fluctuations in currency exchange rates in the future will not have a material adverse impact on revenues from international sales and licensing and thus the Company's business, operating results and financial condition.

Risk Of Software Defects. Software products such as those offered by the Company frequently contain errors or defects. Despite extensive product testing, in the past the Company has released products with defects and has discovered software errors in certain of its product offerings after their introduction. In particular, the personal computer hardware environment is characterized by a wide variety of non-standard peripherals (such as sound cards and graphics cards) and configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. There can be no assurance that, despite significant testing by the Company, errors will not be found in new products or releases after commencement of commercial shipments, resulting in a loss of or delay in market acceptance, which could have a material adverse effect on the Company's business, operating results and financial condition.

Part II. - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: August 14, 1997

ACTIVISION, INC.

/s/ Robert A. Kotick (Robert A. Kotick)	Chairman, Chief Executive Officer (Principal Executive Officer), and Director	August 14, 1997
/s/ Brian G. Kelly (Brian G. Kelly)	President, Chief Operating Officer and Director	August 14, 1997
/s/ Barry J. Plaga (Barry J. Plaga)	Chief Financial Officer (Principal Financial Officer)	August 14, 1997

5
1,000

3-MOS
MAR-31-1998
APR-01-1997
JUN-30-1997
14,426
0
28,977
4,787
3,675
58,203
12,180
5,306
87,929
10,600
0
0
0
0
77,329
87,929
8,053
8,053
4,275
4,275
12,131
0
(162)
(8,191)
(3,103)
0
0
0
0
(5,088)
(0.36)
(0.36)