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 SEPTEMBER 30, 1996

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[ ] 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.)

11601 WILSHIRE BLVD., LOS ANGELES, CA	90025
(Address of principal executive offices)	(Zip Code)

(310) 473-9200
(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 November 13, 1996 was 13,918,879.

ACTIVISION, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands except share data)

	September 30, 1996 (Unaudited)	March 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$17,348	$25,288
Accounts receivable, net of allowances of $6,939 and $7,005 respectively	23,670	19,909
Inventories, net	3,591	2,975
Prepaid software and license royalties	6,369	3,652
Other current assets	1,483	1,183
Deferred income taxes	2,082	1,500
Total current assets	54,543	54,507
Property and equipment, net	4,182	3,326
Prepaid software and license royalties	872	-
Other assets	197	200
Excess purchase price over identifiable assets acquired, net	18,939	19,580
Total assets	$78,733	$77,613
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$6,001	$4,592
Accrued expenses	9,145	9,688
Total current liabilities	15,146	14,280
Other liabilities	324	334
Total liabilities	15,470	14,614
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.000001 par value, 50,000,000 and 100,000,000 shares authorized, 14,406,929 and 14,250,180 shares issued and 13,906,929 and 13,750,180 outstanding , respectively		
Additional paid-in capital	69,433	67,904
Retained earnings (accumulated deficit)	(587)	708
Cumulative foreign currency translation	(305)	(335)
Less: Treasury stock, cost of 500,000 shares	(5,278)	(5,278)
Total shareholders' equity	63,263	62,999
Total liabilities and shareholders' equity	$78,733	$77,613

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

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

(in thousands except income (loss) per share data)

(Unaudited)

	Quarter ended September 30,		Six months ended September 30,	
	1996	1995	1996	1995
Net revenues	$19,175	$18,848	$26,196	$22,167
Cost of goods sold	5,712	6,743	7,221	8,297
Gross profit	13,463	12,105	18,975	13,870
Operating expenses:				
Product development	4,607	4,065	9,154	8,644
Sales and marketing	5,406	4,197	9,047	6,090
General and administrative	1,360	1,156	2,589	2,142
Amortization of intangible assets	321	321	642	642
Total operating expenses	11,694	9,739	21,432	17,518
Operating income (loss)	1,769	2,366	(2,457)	(3,648)
Other income:				
Interest, net	244	409	556	934
Income (loss) before income tax provision (benefit)	2,013	2,775	(1,901)	(2,714)
Income tax provision (benefit)	677	10	(606)	49
Net income (loss)	$1,336	$2,765	$(1,295)	$(2,763)
Net income (loss) per share	$ 0.09	$0.18	$(0.09)	$(0.19)
Number of shares used in computingnet income (loss) per share	14,551	15,064	13,844	14,193

ACTIVISION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the six months ended September 30,

(in thousands)

Increase (Decrease) in Cash

(UNAUDITED)

	1996	1995
Net cash used in operating activities	$(6,875)	$(5,230)
Cash flows from investing activities:		
Capital expenditures	(1,802)	(1,374)
Net cash used in investing activities	(1,802)	(1,374)
Cash flows from financing activities:		
Proceeds from issuance and exercise of common stock options and warrants	707	126
Net cash provided by financing activities	707	126
Effect of exchange rate changes on cash	30	(53)
Net decrease in cash and cash equivalents	(7,940)	(6,531)
Cash and cash equivalents at beginning of period	25,288	37,355
Cash and cash equivalents at end of period	$17,348	$30,824
Non-cash investing activities:		
Stock issued in exchange for licensing rights	$822	$ -

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

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, 1996.

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, net comprise (amounts in thousands):

	September 30, 1996	March 31, 1996
Finished goods	$2,529	$2,099
Purchased parts and components	1,062	876
	------	------
	$3,591	$2,975
	======	======

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

Effective April 1, 1992, the Disc Company, Inc. ("TDC"), a Delaware corporation and a wholly-owned subsidiary of International Consumer Technologies Corporation, was merged with and into the Company, with the Company as the surviving corporation. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an intangible asset in the amount of $24,417,000. This intangible asset is being amortized on a straight-line basis over a 20 year period. Amortization was approximately $305,000 for each of the quarters ended September 30, 1996 and 1995 and $610,000 for each of the six month periods ended September 30, 1996 and 1995. The Company systematically evaluates current and expected cash flow from operations on a non-discounted basis for the purpose of assessing the recoverability of recorded intangible assets. Some of the factors considered in this evaluation include operating results, business plans, budgets and economic projections. Should such factors indicate that recoverability might be impaired, the Company would appropriately adjust the recorded amount of the intangible asset and/or the period over which the recorded intangible asset is amortized.

6. COMPUTATION OF NET INCOME (LOSS) PER SHARE

The net income (loss) per common share and common equivalent shares for the quarter and six month periods ended September 30, 1996 and 1995 have been computed using the weighted average number of common shares and common stock equivalent shares, unless anti-dilutive, outstanding for each period as summarized below (000's omitted):

	Quarter ended September 30,		Six months ended September 30,	
	1996	1995	1996	1995
Weighted average common shares outstanding during the period	13,891	14,197	13,844	14,193
Common stock equivalent shares	660	867	-	-
Shares used in net income (loss) per share calculation	14,551	15,064	13,844	14,193

Common stock equivalent shares consist of outstanding stock options and director warrants.

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 desktop systems, such as the Windows 95 operating system, and videogame set-top 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 set-top 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. Examples of set-top systems include Super Nintendo Entertainment System ("SNES"), Sega Genesis ("SGS"), Sega Saturn ("Saturn"), Sony PlayStation ("PlayStation"), Atari Jaguar, CD-I and 3DO Multiplayer. 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 desktop 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. Examples of computer operating systems include MS-DOS, Windows and the Macintosh operating systems. The Company generally is not obligated to pay an operating system license fee for the right to produce desktop products.

RESULTS OF OPERATIONS

Net Revenues

Net revenues for the quarter and six months ended September 30, 1996 increased $327,000 or 1.7% and $4,029,000 or 18.2%, respectively, from the same periods last year. These increases in net revenues were primarily due to an increase in desktop net revenues and OEM net revenues during the current periods. The increase in desktop net revenues during the current quarter was attributable to the initial release of "MechWarrior 2: Mercenaries" (Windows 95 CD), "Muppet Treasure Island" (Windows 95/Mac CD), "Time Commando" (Windows 95 CD) and continuing sales of "MechWarrior 2" (Windows 95/Mac CD) and "Zork Nemesis" (Windows 95/Mac CD). The increase in set-top net revenues during the current quarter was attributable to the release of "Time Commando" (Sony PlayStation). The Company expects revenues from set-top systems to grow as a result of an increase of new releases of CD based set-top products for the PlayStation and Saturn.

Total OEM and licensing net revenues increased during the current quarter and six month period due to OEM and licensing revenues related to enhanced 3-D versions of "MechWarrior 2" (Windows 95 CD/Matrox Mystique, S3 Virge and Power VR), "Time Commando" (Windows 95 CD), "Zork Nemesis" (Windows 95 CD) and "Spycraft: The Great Game" (Windows 95 CD).

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

	Quarter Ended September 30,				Six Months Ended September 30,			
	1996		1995		1996		1995	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
North America	$14,925	77.8%	$14,789	78.5%	$20,469	78.1%	$16,972	76.6%
Europe	2,016	10.5%	1,958	10.4%	2,739	10.5%	2,028	9.1%
Japan	967	5.1%	1,057	5.6%	1,251	4.8%	1,896	8.6%
Australia and Pacific Rim	1,267	6.6%	1,044	5.5%	1,737	6.6%	1,271	5.7%
	$19,175	100.0%	$18,848	100.0%	$26,196	100.0%	$22,167	100.0%

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

	Quarter Ended September 30,				Six Months Ended September 30,			
	1996		1995		1996		1995	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Set-top	$ 2,270	11.8%	$ 2,084	11.1%	$ 2,323	8.9%	$ 2,769	12.5%
Desktop	16,905	88.2%	16,764	88.9%	23,873	91.1%	19,398	87.5%
	$19,175	100.0%	$18,848	100.0%	$26,196	100.0%	$22,167	100.0%

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

	Quarter Ended September 30,				Six Months Ended September 30,			
	1996		1995		1996		1995	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Retailer/ Reseller	$15,847	82.6%	$15,583	82.7%	$18,461	70.5%	$18,306	82.6%
OEM	2,799	14.6%	936	4.9%	6,292	24.0%	1,005	4.5%
On-line, licensing and other	529	2.8%	2,329	12.4%	1,443	5.5%	2,856	12.9%
	$19,175	100.0%	$18,848	100.0%	$26,196	100.0%	$22,167	100.0%

Cost of Goods Sold

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

Also included in cost of goods sold is royalty expense related to amounts due to developers, title owners or other royalty participants based on product sales. Various contracts are maintained with developers, product title owners or other royalty participants which state a royalty rate and term of agreement, among other items. Cost of goods sold as a percentage of net revenues decreased to 29.8% for the quarter ended September 30, 1996 compared to 35.8% for the quarter ended September 30, 1995. The six month comparative figures also show a decrease in cost of goods sold as a percentage of net revenues to 27.6% for the six month period ended September 30, 1996 compared to 37.4% for the six month period ended September 30, 1995. These decreases are a result of the increase in the percentage of net revenues attributable to CD-based products and the increase in OEM net revenues, each of which generate higher gross profit margins than cartridge based set-top products.

Gross Profit

For the quarter ended September 30, 1996, gross profit as a percentage of net revenues was 70.2% compared to 64.2% for the quarter ended September 30, 1995. Gross profit as a percentage of net revenues increased to 72.4% for the six months ended September 30, 1996 from 62.6% for the six months ended September 30, 1995. The increase in gross profit as a percentage of net revenues during both the current quarter and six month period was due to the increase in the percentage of net revenues attributable to CD-based products and the increase in OEM net revenues, each of which generate higher gross profit margins than cartridge based set-top products.

Operating Expenses

	Quarter Ended September 30,				Six Months Ended September 30,			
	1996		1995		1996		1995	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Product development	$ 4,607	24.0%	$4,065	21.6%	$ 9,154	34.9%	$ 8,644	38.9%
Sales and marketing	5,406	28.2%	4,197	22.3%	9,047	34.5%	6,090	27.5%
General and administrative	1,360	7.1%	1,156	6.1%	2,589	9.9%	2,142	9.7%
Amortization of intangible assets	321	1.7%	321	1.7%	642	2.5%	642	2.9%
	$11,694	61.0%	$9,739	51.7%	$21,432	81.8%	$17,518	79.0%

The increase in product development expenses for the quarter and six months ended September 30, 1996 was due to an overall increase in the number of products in development, an increase in production costs associated with 3-D programming technology and continued investment in development for new CD platforms. Sales and marketing expenses also increased both in amount and as a percentage of revenues as a result of a worldwide expansion of the sales and marketing organization needed to manage the Company's increased product release schedule later in the fiscal year. General and administrative expenses increased due to an increase in head count related expenses as compared to the same periods in the prior year.

Other Income (Expense)

Interest income was approximately $244,000 and $556,000 for the quarter and six months ended September 30, 1996, respectively, compared to approximately $409,000 and $934,000 for the quarter and six months ended September 30, 1995, respectively. The decreases were due to a decrease in cash and cash equivalents during the current fiscal quarter and six month period as compared to the same periods in the prior year.

Income Tax Provision (Benefit)

The income tax provision (benefit) of approximately $677,000 and ($606,000) for the quarter and six months ended September 30, 1996, respectively, reflects the Company's expected effective income tax rate for the fiscal year ending 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. The Company did not record an income tax provision benefit for the six months ended September 30, 1995 due to the fact that as of such date, the Company had not yet generated taxable income. Income taxes for the quarter and six months ended September 30, 1995 represent foreign taxes withheld, which may be available in the future as tax credits against future tax liability.

Net Income (Loss)

For the reasons noted above, net income decreased to $1,336,000 for the quarter ended September 30, 1996 from a net income of $2,765,000 for the same period of the prior fiscal year. For the six months ended September 30, 1996, net loss decreased to $1,295,000 from a net loss of $2,763,000 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. 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 previously 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 $0.8 million from March 31, 1996 to September 30, 1996 as a result of the funding of the Company's expanding operations and additional capital expenditures. At September 30, 1996, net accounts receivable and inventories were $27.3 million, an increase of $4.4 million from $22.9 million as of March 31, 1996. The increase is due primarily to an increase in receivables due from OEM customers. Prepaid royalties increased as a result of an increase in the number of products being developed by third party developers as well as an increase in the acquisition of third party intellectual property rights.

As of September 30, 1996, total accounts payable and accrued liabilities were approximately $15.1 million versus $14.3 million at March 31, 1996. The increase at September 30, 1996 is primarily related to the increase in inventories.

During the six months ended September 30, 1996, the Company invested approximately $1.8 million in computer hardware and software purchases required to support the Company's product development efforts and new management information systems. During fiscal 1997, the Company expects to incur additional capital expenditures relating to the development of its products and the general operation of its business. The Company also plans on moving its Los Angeles headquarters to a new facility early in fiscal 1998.

The Company's principal source of liquidity is $17.3 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.

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to routine claims and suits brought against it in the ordinary course of business including disputes arising over the ownership of intellectual property rights and collection matters. In the opinion of management, the outcome of such routine claims will not have a material adverse effect on the Company's business, financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its 1996 Annual Meeting of Stockholders on August 22, 1996 in Los Angeles, California. Four items were submitted to a vote of the stockholders:

1. The election of five directors to hold office for one year terms and until their respective successors are elected and have qualified. All five nominees were recommended by the Board of Directors and all were elected. Set forth below are the results of the voting for each director.

	For	Withheld
Robert A. Kotick	12,017,146	112,753
Howard E. Marks	12,018,103	111,796
Brian G. Kelly	12,017,697	112,202
Barbara S. Isgur	12,018,130	111,769
Steven T. Mayer	12,017,137	112,762

2. The adoption of an amendment to the Company's 1991 Stock Option and Stock Award Plan to increase the number of shares of the Company's Common Stock reserved for issuance thereunder from 4,066,667 to 6,066,667 shares. This proposal was adopted by a vote of 6,828,004 in favor, 2,113,862 against, and 7,177 abstentions.

3. The adoption of the Company's Employee Stock Purchase Plan and the reservation of 200,000 shares of the Company's Common Stock for issuance thereunder. This proposal was adopted by a vote of 9,036,396 in favor, 48,937 against, and 7,929 abstentions.

4. An amendment to the Company's Amended and Restated Certificate of Incorporation to decrease the Company's authorized capital stock from 110,000,000 shares, consisting of 100,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock, to 55,000,000 shares, consisting of 50,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. This proposal was adopted by a vote of 9,114,015 in favor, 19,829 against, and 8,834 abstentions.

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: November 13, 1996

ACTIVISION, INC.

------------------- (Robert A. Kotick)	Chairman, Chief Executive Officer (Principal Executive Officer), President and Director	November 13, 1996
------------------- (Brian G. Kelly)	Chief Financial and Operating Officer and Director (Principal Financial Officer)	November 13, 1996
------------------ (Barry J. Plaga)	Chief Accounting Officer (Principal Accounting Officer)	November 13, 1996

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3-MOS
MAR-31-1997
SEP-30-1996
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