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, 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 November 13, 1997 was 15,613,802.

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, 1997	March 31, 1997
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,286	$ 17,639
Accounts receivable, net of allowances of $7,153 and $6,468 respectively	38,920	36,367
Inventories, net	5,306	4,520
Prepaid software and license royalties	8,444	6,559
Other current assets	2,632	1,222
Deferred income taxes	4,279	1,493
Total current assets	$ 69,867	$ 67,800
Property and equipment, net	9,360	5,090
Deferred income taxes	4,665	4,212
Other assets	246	255
Excess purchase price over identifiable assets acquired, net	17,934	18,313
Total assets	$ 102,072	$ 95,670
LIABILITIES		
Current liabilities:		
Current portion of note payable to bank	$ 423	$ -
Accounts payable	8,719	7,054
Accrued expenses	10,625	7,808
Total current liabilities	19,767	14,862
Note payable to bank	959	-
Other liabilities	189	-
Total liabilities	20,915	14,862
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.000001 par value, 50,000,000 shares authorized, 16,089,941 and 15,684,895 shares issued and 15,589,941 and 15,184,895 outstanding, respectively	-	-
Additional paid-in capital	82,806	78,484
Retained earnings	4,032	7,815
Cumulative foreign currency translation	(403)	(213)
Less: Treasury stock, cost of 500,000 shares	(5,278)	(5,278)
Total shareholders' equity	81,157	80,808
Total liabilities and shareholders' equity	$ 102,072	$ 95,670

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,	
	1997	1996	1997	1996
Net revenues	$ 31,915	$ 19,175	$ 39,972	$ 26,196
Cost of goods sold	11,218	5,712	15,493	7,221
Gross profit	20,697	13,463	24,479	18,975
Operating expenses:				
Product development	7,550	4,607	13,918	9,154
Sales and marketing	7,781	5,406	12,400	9,047
General and administrative	1,746	1,360	3,141	2,589
Amortization of intangible assets	305	321	611	642
Total operating expenses	17,382	11,694	30,070	21,432
Operating income (loss)	3,315	1,769	(5,591)	(2,457)
Other income:				
Interest, net	81	244	229	556
Income (loss) before income tax provision (benefit)	3,396	2,013	(5,362)	(1,901)
Income tax provision (benefit)	1,290	677	(2,005)	(606)
Net income (loss)	$ 2,106	$ 1,336	$ (3,357)	$ (1,295)
Net income (loss) per share	$ 0.13	$ 0.09	$ (0.22)	$ (0.09)
Number of shares used in computing net income (loss) per share	16,117	15,591	15,372	14,884

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

ACTIVISION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,

(IN THOUSANDS)

INCREASE (DECREASE) IN CASH

(UNAUDITED)

	1997	1996
Cash flows from operating activities:		
Net loss	$(3,357)	$(1,295)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred income taxes	(2,718)	(582)
Depreciation and amortization	1,800	1,587
Change in assets and liabilities:		
Accounts receivable	(2,553)	(3,761)
Inventories	(786)	(616)
Prepaid software and license royalties	(1,454)	(2,767)
Prepaid expenses and other current assets	(1,401)	(300)
Other assets	--	3
Accounts payable	1,665	1,409
Accrued liabilities	2,817	(543)
Other liabilities	189	(10)
Net cash used in operating activities	(5,798)	(6,875)
Cash flows from investing activities:		
Capital expenditures	(5,309)	(1,802)
Purchase of Take Us! Marketing & Consulting GmbH	(246)	--
Adjustment for effect of pooling on prior periods	(143)	--
Net cash used in investing activities	(5,698)	(1,802)
Cash flows from financing activities:		
Proceeds from issuance and exercise of common stock options and warrants	2,721	707
Proceeds from employee stock purchase plan	230	--
Proceeds from note payable to bank	1,382	--
Net cash provided by financing activities	4,333	707
Effect of exchange rate changes on cash	(190)	30
Net decrease in cash and cash equivalents	(7,353)	(7,940)
Cash and cash equivalents at beginning of period	17,639	25,288
Cash and cash equivalents at end of period	$10,286	$17,348
Non-cash investing activities:		
Stock issued in exchange for licensing rights	$ 431	$ 822
Tax benefit derived from stock option exercises	521	--
Stock issued in purchase of Take Us! Marketing & Consulting GmbH	136	--
Supplemental cash flow information:		
Cash paid for income taxes	$ 250	$ --

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

ACTIVISION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 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, net comprise (amounts in thousands):

	SEPTEMBER 30, 1997	MARCH 31, 1997
Finished goods	$ 3,397	$ 3,358
Purchased parts and components	1,909	1,162
	$ 5,306	$ 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

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, 1997 and 1996 and $611,000 for each of the six month periods ended September 30, 1997 and 1996. 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. ACQUISITION OF RAVEN SOFTWARE CORPORATION

On August 26, 1997 the Company acquired Raven Software Corporation ("Raven") in exchange for 1,040,000 shares of its common stock. The acquisition has been accounted for as a pooling of interests. Raven was accounted for as an immaterial pooling, and the Company's operating results were not restated for periods prior to April 1, 1997 for this transaction. However, the shares issued in the transaction were significant and weighted average shares outstanding and net income (loss) per share data were retroactively restated for the effect of the Raven acquisition. Net revenues and net loss for Raven for the period April 1, 1997 to August 26, 1997 were $7,000 and $823,000, respectively.

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 and developer of interactive entertainment software. The Company currently focuses its publishing and development efforts on PC-CD products and products designed for the Sony PlayStation console system. In selecting titles for acquisition or development, the Company pursues a balance between internally and externally developed titles, products based on proven technology and those based on newer technology, and PC-CD and console products. Activision distributes its products worldwide through its direct sales force and through third party distributors and licensees.

The Company recognizes revenue 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. Revenue from product sales is reflected after deducting the allowance for returns and price protection. With respect to license agreements which provide customers the right to multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of the product master or the first copy. Per copy royalties on sales which exceed the guarantee are recognized as earned.

Cost of goods sold related to console, PC and OEM net revenues represents the manufacturing and related costs of computer software and console games. Manufacturers of the Company's computer software are located worldwide and are readily available. Console CDs and cartridges 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 developers, product owners and 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. Royalties and license fees prepaid in advance of a product's release are capitalized. Upon a product's release, prepaid royalties and license fees are charged to cost of goods sold based on the contractual royalty rate. Management evaluates the future realization of prepaid royalties quarterly and charges to cost of goods sold any amounts that management deems unlikely to be amortized at the contract royalty rate through product sales.

Product development costs are accounted for in accordance with accounting standards which provide 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.

The following tables set forth certain consolidated statements of operations data for the periods indicated as a percentage of total net revenues and also breaks down net revenues by territory, platform and channel:

	Quarter Ended September 30,				Six Months Ended September 30,			
	1997		1996		1997		1996	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
STATEMENTS OF OPERATIONS DATA:								
Net revenues	$31,915	100.0%	$19,175	100.0%	$39,972	100.0%	$26,196	100.0%
Cost of goods sold	11,218	35.1%	5,712	29.8%	15,493	38.8%	7,221	27.6%
Gross profit	20,697	64.9%	13,463	70.2%	24,479	61.2%	18,975	72.4%
Operating expenses:								
Product development	$ 7,550	23.7%	$ 4,607	24.0%	$13,918	34.8%	$ 9,154	34.9%
Sales and marketing	7,781	24.4%	5,406	28.2%	12,400	31.0%	9,047	34.5%
General and administrative	1,746	5.4%	1,360	7.1%	3,141	7.9%	2,589	9.9%
Amortization of intangible assets	305	1.0%	321	1.7%	611	1.5%	642	2.5%
Total operating expenses	17,382	54.5%	11,694	61.0%	30,070	75.2%	21,432	81.8%
Operating income (loss)	3,315	10.4%	1,769	9.2%	(5,591)	-14.0%	(2,457)	-9.4%
Other income	81	0.2%	244	1.3%	229	0.6%	556	2.1%
Income before income tax provision (benefit)	3,396	10.6%	2,013	10.5%	(5,362)	-13.4%	(1,901)	-7.3%
Income tax provision (benefit)	1,290	4.0%	677	3.4%	(2,005)	-5.0%	(606)	-2.3%
Net income (loss)	$ 2,106	6.6%	$ 1,336	7.1%	$(3,357)	-8.4%	$(1,295)	-5.0%
NET REVENUES BY TERRITORY:								
North America	$ 20,164	63.2%	$14,688	76.6%	$25,139	62.9%	$20,161	77.0%
Europe	7,815	24.4%	2,016	10.5%	9,680	24.2%	2,739	10.5%
Japan	421	1.3%	967	5.1%	595	1.5%	1,251	4.7%
Australia and Pacific Rim	2,634	8.3%	1,267	6.6%	3,399	8.5%	1,737	6.6%
Latin America	881	2.8%	237	1.2%	1,159	2.9%	308	1.2%
	$ 31,915	100.0%	$ 19,175	100.0%	$39,972	100.0%	$26,196	100.0%
NET REVENUES BY PLATFORM:								
Console	$ 3,797	11.9%	$ 2,270	11.8%	$ 3,797	9.5%	$ 2,323	8.9%
PC	28.118	88.1%	16,905	88.2%	36,175	90.5%	23,873	91.1%
	$ 31,915	100.0%	$ 19,175	100.0%	$39,972	100.0%	$26,196	100.0%
NET REVENUES BY CHANNEL:								
Retailer/Reseller	$ 25,721	80.6%	$15,847	82.6%	$29,304	73.3%	$18,461	70.5%
OEM	3,579	11.2%	2,799	14.6%	7,350	18.4%	6,292	24.0%
Licensiing, on-line and other	2,615	8.2%	529	2.8%	3,318	8.3%	1,443	5.5%
	$ 31,915	100.0%	$ 19,175	100.0%	$39,972	100.0%	$26,196	100.0%

RESULTS OF OPERATIONS

NET REVENUES

Net revenues for the quarter ended September 30, 1997 increased 66.4% from the same period last year, from $19.2 million to $31.9 million. This increase was attributable to a 37.3% increase in net revenues in North America from $14.7 million to $20.2 million, a 287.6% increase in net revenues in Europe from $2.0 million to $7.8 million, and a 107.9% increase in net revenues in the Australian and Pacific Rim territories from $1.3 million to $2.6 million.

Net revenues for the six months ended September 30, 1997 increased 52.6% from the same period last year, from $26.2 million to $40.0 million. This increase was attributable to a 24.7% increase in net revenues in North America from $20.1 million to $25.1 million, a 253.4% increase in net revenues in Europe from $2.7 million to $9.7 million and a 95.7% increase in net revenues in the Australian and Pacific Rim territories from $1.7 million to $3.4 million.

The overall increase in net revenues and the increases in net revenues in the specific territories for the quarter and six month periods were due to the initial release of HEXEN II (Windows 95), DARK REIGN: THE FUTURE OF WAR (Windows 95), CAR & DRIVER'S GRAND TOUR RACING 1998 (Playstation) and TWINSEN'S ODYSSEY (Windows 95). The overall increase in net revenues was partially offset by an increase in the provision for sales returns and mark-downs for the North American territory during the quarter ended June 30, 1997, which was required as a result of a slow down in retail sell-through of then recently released PC and Playstation titles. The Company expects revenues in each of the above-referenced territories to continue to increase in fiscal 1998 over fiscal 1997 levels.

OPERATING EXPENSES

Product development expenses for the quarter ended September 30, 1997 increased 63.9% from the same period last year, from $4.6 million to $7.6 million. As a percentage of net revenues, product development expenses for the quarter decreased from 24.0% to 23.7%. Product development expenses for the six months ended September 30, 1997 increased 52.0% from the same period last year, from $9.2 million to $13.9 million. As a percentage of net revenues, product development expense for the six month period decreased slightly from 34.9% to 34.8%. The increases for the quarter and six month periods in actual product development expenses was due to an increase in the number of products in development, the acquisition of Raven Software Corp., and the increase in costs associated with enhanced content and new technologies incorporated into the Company's recent products. In addition, the increase was partly attributable to an increase in the number of products being localized for foreign territories; in September 1997, the product DARK REIGN: THE FUTURE OF WAR was simultaneously released in four localized versions including English, French, German and Spanish.

Sales and marketing expenses for the quarter ended September 30, 1997 increased 43.9% from the same period last year, from $5.4 million to $7.8 million. As a percentage of net revenues, sales and marketing expenses for the quarter decreased from 28.2% to 24.4%. Sales and marketing expenses for the six months ended September 30, 1997 increased 37.1% from the same period last year, from $9.0 million to $12.4 million. As a percentage of net revenues, sales and marketing expenses for the six month period decreased from 34.5% to 31.0%. The increases for the quarter and six month periods in actual sales and marketing expenses was due to the increase in net revenues along with an increase in the number of products to be released during the current fiscal year. The decrease for the quarter and six month periods in sales and marketing expenses as a percentage of net revenues, however, is due to the operating expense leverage gained as a result of an increased revenue base.

General and administrative expenses for the quarter ended September 30, 1997 increased 28.4% from the same period last year, from $1.4 million to $1.7 million, but decreased as a percentage of net revenues from 7.1% to 5.4%. General and administrative expenses for the six months ended September 30, 1997 increased 21.3% from the same period last year, from $2.6 million to $3.1 million, but decreased slightly as a percentage of net revenues from 9.9% to 7.9%. The period over period increase in actual general and administrative expenses for both the quarter and six month periods was due to an increase in head count related expenses, the expansion of facilities both in North America and internationally, and the implementation of new management information systems.

OTHER INCOME (EXPENSE)

Interest income was approximately $81,000 and $229,000 for the quarter and six months ended September 30, 1997, respectively, compared to approximately $244,000 and $556,000 for the quarter and six months ended September 30, 1996, 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 fiscal year.

INCOME TAX PROVISION (BENEFIT)

The income tax provision (benefit) of approximately $1,290,000 and ($2,005,000) for the quarter and six months ended September 30, 1997, respectively, reflects the Company's expected effective income tax rate for the fiscal year ending March 31, 1998. 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 INCOME (LOSS)

For the reasons noted above, net income increased to $2,106,000 for the quarter ended September 30, 1997, from a net income of $1,336,000 for the same period in the prior fiscal year. For the six months ended September 30, 1997, net loss increased to $3,357,000, from a net loss of $1,295,000 for the same period in 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 cash and cash equivalents decreased $7.3 million, from $17.6 million at March 31, 1997 to $10.3 million at September 30, 1997. Approximately $5.8 million in cash and cash equivalents were used in operating activities during the six month period from March 31, 1997 to September 30, 1997. Such operating uses of cash were primarily the result of increases in accounts receivable and inventories.

In addition, approximately $5.7 million in cash and cash equivalents were used in investing activities. Capital expenditures totaled approximately $5.3 million, which primarily were comprised of costs related to the Company moving its Los Angeles office to a new facility in Santa Monica, California.

Sources of cash from financing activities totaled $4.3 million for the six months ended September 30, 1997, which included $2.7 million in proceeds from exercise of employee stock options and $1.4 million in proceeds from bank borrowings.

In October 1997, the Company increased its revolving credit and letter of credit facility (the "Facility") with its bank (the "Bank") from $5.0 million to $12.5 million. The Facility provides the Company with the ability to borrow funds and issue letters of credit against eligible domestic accounts receivable up to $12.5 million. The Facility expires in September 1998. In addition, in September 1997, the Company entered into a $2.0 million line of credit agreement (the "Asset Line") with the Bank which is secured by various fixed assets of the Company; drawings under the Asset Line are structured with 36 month repayment terms and the Asset Line expires in September 1998. Borrowings under the Asset Line totaled $1.4 million as of September 30, 1997, with an effective lease borrowing rate of 8.3%.

The Company's current principal source of liquidity is $10.3 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 cash, together with the proceeds available from the Facility and Asset Line, will be sufficient to meet the Company's operational requirements for at least the next twelve months.

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

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," is effective for financial statements issued for periods ending after December 15, 1997. SFAS No. 128 replaces Accounting Principles Board Opinion ("APB") No. 15 and simplifies the computation of earnings per share ("EPS") by replacing the presentation of primary EPS with a presentation of basic EPS. Basic EPS includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution from securities that could share in the earnings of the Company, similar to fully diluted EPS under APB No. 15. The Statement requires dual presentation of basic and diluted EPS by entities with complex capital structures. The Company will adopt SFAS No. 128 for the financial statements for the year ended March 31, 1998.

SFAS No. 130, "Reporting Comprehensive Income" is effective for fiscal years beginning after December 15, 1997. SFAS No. 130 established standards for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. The Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company is evaluating the Statement's provisions to conclude how it will present comprehensive income it its financial statements, and has not yet determined the amounts to be disclosed. The Company will adopt SFAS No. 130 effective April 1, 1998.

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" is effective for financial statements for periods beginning after December 15, 1997. SFAS No. 131 establishes standards for the way that public business enterprises report financial and descriptive information about reportable operating segments in annual financial statements and interim financial reports issued to stockholders. SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," but retains the requirement to report information about major customers. The Company is evaluating the new Statement's provisions to determine the additional disclosures required in its financial statements, if any. The Company will adopt SFAS No. 131 effective April 1, 1998.

The AICPA recently issued statement of Position 97-2, "Software Revenue Recognition," effective for transactions entered into in fiscal years beginning after December 15, 1997. While the Company is still evaluating the impact of this statement, it believes that it is in substantial compliance with the provisions thereof.

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 varied significantly in the past and will likely vary significantly in the future depending on numerous factors, several 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 computing 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 part on the Company's product development and marketing budgets. Product development and marketing costs generally 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 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 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 and net income typically are 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 and net income 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 six quarters were $31.9 million for the quarter ended September 30, 1997, $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's net income (loss) for the last six quarters were $2.1 million for the quarter ended September 30, 1997, $(5.5 million) for the quarter ended June 30, 1997, $4.3 million for the quarter ended March 31, 1997, $4.1 million for the quarter ended December 31, 1996, $1.3 million for the quarter ended September 30, 1996, and $(2.6 million) for the quarter ended June 30, 1996. The Company expects its net revenue 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, acquisition and marketing costs. The lack of market acceptance or significant delay in the introduction of, or the presence of a defect in, one or more 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 generally is associated with initial shipments, the delay of a product introduction expected near the end of a fiscal quarter may have a material adverse effect on 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 likely will 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.

RELIANCE ON THIRD PARTY DEVELOPERS AND INDEPENDENT CONTRACTORS. The percentage of products published by the Company that are developed by independent third party developers has increased over the last several fiscal years. From time to time, the Company also utilizes independent contractors for certain aspects of internal product development and production. The Company has less control over the scheduling and the quality of work by third party developers and independent contractors than that of its own employees. A delay in the work performed by third party developers and independent contractors or poor quality of such work may result in product delays. Although the Company intends to continue to rely in part on products that are developed primarily by its own employees, the Company's ability to grow its business and its future operating results will depend, in significant part, on the Company's continued ability to maintain relationships with skilled third party developers and independent contractors. 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 and acquisition efforts on selected, high quality entertainment software products. The Company derives a significant portion of its revenues from a relatively small number of high quality entertainment software products released each year, and many of these products have substantial production or acquisition costs and marketing budgets. During fiscal 1996 and 1997, one title accounted for approximately 49% and 23%, respectively, of the Company's consolidated net revenues. In addition, during fiscal 1997, one other title accounted for approximately 16% of the Company's consolidated net revenues. The Company anticipates that a limited number of products will continue to produce a disproportionate amount of revenues. Due to this dependence on a limited number of products, the failure of one or more of the Company's principal new releases to achieve anticipated results may have a material adverse effect on the Company's business, operating results and financial condition.

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 required to support 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 competitor's 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, Lucas Arts, Microsoft, Sega, Nintendo, Sony, CUC, GT Interactive, Broderbund, Midway, Interplay, Virgin and Eidos, 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 effect 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 increase, 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.

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, insolvency or liquidation that occur to 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.

CHANGES IN TECHNOLOGY AND INDUSTRY STANDARDS. The consumer software industry is undergoing 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 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 or retain qualified employees could have a material adverse effect on the Company's business, operating results and financial condition.

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS. International sales and licensing accounted for 28%, 23% and 26% of the Company's total revenues in the fiscal years 1995, 1996 and 1997, respectively. The Company intends to continue to expand its direct and indirect sales, marketing and localization 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 PC 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 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 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 1997 Annual Meeting of Stockholders on September 24, 1997 in Los Angeles, California. Two items were submitted to a vote of the stockholders:

1. The election of six directors to hold office for one year terms and until their respective successors are elected and have qualified. All six 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
Harold A. Brown	12,530,932	242,789
Barbara S. Isgur	12,531,347	242,374
Brian G. Kelly	12,530,481	243,240
Robert A. Kotick	12,528,886	244,835
Steven T. Mayer	12,531,411	242,309
Robert J. Morgado	12,530,811	242,910

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 6,066,667 to 7,566,667 shares. This proposal was adopted by a vote of 9,122,227 in favor, 1,399,856 against, and 15,335 abstentions.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

The Company filed a Form 8-K with the Securities and Exchange Commission on September 5, 1997 reporting the acquisition of Raven Software Corporation.

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, 1997

ACTIVISION, INC.

/s/ ROBERT A. KOTICK (Robert A. Kotick)	Chairman, Chief Executive Officer (Principal Executive Officer), and Director	November 13, 1997
/s/ BRIAN G. KELLY (Brian G. Kelly)	President, Chief Operating Officer and Director	November 13, 1997
/s/ BARRY J. PLAGA (Barry J. Plaga)	Chief Financial Officer (Principal Financial Officer)	November 13, 1997

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SEP-30-1997
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