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, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 0-12699

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 14, 1998 was 20,157,261.

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)

	June 30, 1998 (Unaudited)	March 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,444	$ 73,378
Accounts receivable, net of allowances of $11,987 and $12,122, respectively	54,879	69,812
Inventories, net	17,057	14,920
Prepaid royalties and capitalized software costs	19,640	12,444
Other current assets	2,749	1,922
Deferred income taxes	6,437	3,852
Total current assets	161,206	176,328
Property and equipment, net	10,301	10,628
Deferred income taxes	4,665	4,665
Other assets	2,546	2,313
Excess purchase price over identifiable assets acquired, net	22,998	23,473
Total assets	$ 201,716	$ 217,407
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable to bank	$ 557	$ 781
Accounts payable	29,283	40,150
Accrued expenses	16,459	14,860
Total current liabilities	46,299	55,791
Notes payable to bank, less current portion	1,107	1,235
Convertible subordinated notes	60,000	60,000
Other liabilities	87	88
Total liabilities	107,493	117,114
Shareholders' equity:		
Common stock, $.000001 par value, 50,000,000 shares authorized, 20,521,365 and 17,113,007 shares issued and 20,021,365 and 16,613,077 outstanding, respectively	-	-
Additional paid-in capital	91,914	91,799
Retained earnings	8,296	13,680
Accumulated other comprehensive income (loss)	(709)	92
Less: Treasury stock, cost of 500,000 shares	(5,278)	(5,278)
Total shareholders' equity	94,223	100,293
Total liabilities and shareholders' equity	$ 201,716	$ 217,407

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)

	1998	1997
Net revenues	$ 51,880	$ 26,514
Cost of goods sold	34,811	20,276
Gross profit	17,069	6,238
Operating expenses:		
Product development	5,693	6,368
Sales and marketing	12,614	6,019
General and administrative	3,987	2,128
Amortization of intangible assets	396	375
Merger expenses	175	-
Total operating expenses	22,865	14,890
Operating loss	(5,796)	(8,652)
Other income (expense):		
Interest, net	(339)	(32)
Loss before income tax benefit	(6,135)	(8,684)
Income tax benefit	2,331	3,270
Net loss	$ (3,804)	$ (5,414)
Basic and diluted net loss per share	$ (0.19)	$ (0.29)
Number of shares used in computing basic and diluted net loss per share	20,015	19,011

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)

	1998	1997
Cash flows from operating activities:		
Net loss	$ (3,804)	$ (5,414)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred income taxes	(3,020)	(3,571)
Depreciation and amortization	1,348	1,189
Change in assets and liabilities:		
Accounts receivable	15,201	13,797
Inventories	(2,002)	(605)
Prepaid software and license royalties	(7,196)	(2,434)
Other current assets	(827)	(1,706)
Other assets	(233)	(12)
Accounts payable	(11,311)	(1,955)
Accrued liabilities	84	(1,275)
Other liabilities	(1)	(3)
Net cash used in operating activities	(11,761)	(1,989)
Cash flows from investing activities:		
Cash acquired in pooling transaction	394	-
Cash used in purchase acquisitions	-	(246)
Capital expenditures	(579)	(3,055)
Other	-	(161)
Net cash used in investing activities	(185)	(3,462)
Cash flows from financing activities:		
Proceeds from issuance of common stock pursuant to employee stock option plan	86	1,414
Note payable to bank, net	(352)	(1,600)
Dividends paid	-	(36)
Net cash used in financing activities	(266)	(222)
Effect of exchange rate changes on cash	(722)	209
Net decrease in cash and cash equivalents	(12,934)	(5,464)
Cash and cash equivalents at beginning of period	73,378	21,358
Cash and cash equivalents at end of period	$ 60,444	$ 15,894
Non-cash activities:		
Stock issued in purchase acquisition	$ -	$ 136
Supplemental cash flow information:		
Cash paid for income taxes	$ 997	$ 3,252
Cash paid for interest	$ 2,114	$ 210

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 Company"). 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, 1998.

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. ACQUISITION

On June 30, 1998, the Company acquired S.B.F. Services, Limited, dba Head Games Publishing ("Head Games") in exchange for 1,000,000 shares of the Company's common stock. The acquisition of Head Games was accounted for as an immaterial pooling of interests; accordingly, periods prior to April 1, 1998 were not retroactively restated for this transaction. However, weighted average shares outstanding and earnings per share data have been retroactively restated for the effect of the Head Games acquisition.

3. PREPAID ROYALTIES AND CAPITALIZED SOFTWARE COSTS

Prepaid royalties primarily represent payments made to independent software developers under development agreements. Also included in prepaid royalties are license fees paid to intellectual property rights holders for use of their trademarks or copyrights. Intellectual property rights which have alternative future uses are capitalized. Capitalized software costs represent costs incurred for development that are not recoupable against future royalties.

The Company accounts for prepaid royalties relating to development agreements and capitalized software costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," (SFAS No. 86). In accordance with SFAS No. 86, the Company capitalizes software development costs and prepaid royalties once technological feasibility is established. Prior to the capitalization of any amounts, the Company evaluates recoverability based on the criteria discussed below. Amounts related to product development which are not capitalized are charged to product development expense. The Company evaluates technological feasibility on a product by product basis. For products where proven game engine technology exists, this may occur early in the development cycle.

Capitalized software development costs are amortized to cost of goods sold on a straight-line basis over the estimated product life (generally one year or less) commencing upon product release, or on the ratio of current revenues to total projected revenues, whichever amortization amount is greater. Prepaid royalties are expensed to cost of goods sold at the contractual royalty rate based on actual net product sales, or on the ratio of current revenues to total projected revenues, whichever amortization amount is greater.

For products that have been released, management evaluates the future recoverability of capitalized amounts on a quarterly basis. Prior to a product's release, the Company expenses, as part of product development costs, capitalized costs when, in management's estimate, such amounts are not recoverable. Management primarily uses the following criteria in evaluating recoverability: historical performance of comparable products; the commercial acceptance of prior products released on a given game engine; estimated performance of a sequel product based on the performance of the product on which the sequel is based; and actual development costs of a product as compared to the Company's budgeted amount.

As of June 30, 1998, prepaid royalties and unamortized capitalized software costs totaled $15,716,000 and $3,924,000, respectively. As of March 31, 1998, prepaid royalties and unamortized capitalized software costs totaled $10,730,000 and $1,730,000, respectively. Amortization of prepaid royalties and capitalized software costs was $2,056,000 and $755,000 for the quarter ended June 30, 1998 and 1997, respectively. Write-offs of prepaid royalties and capitalized software costs prior to product release were $394,000 and $0 for the quarters ended June 30, 1998 and 1997, respectively.

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 or return products within certain specified periods, and provides price protection on certain unsold merchandise. Revenue from product sales is 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.

The AICPA's Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), is effective for all transactions entered into subsequent to March 31, 1998. The adoption of SOP 97-2 did not have a material impact on the Company's financial position, results of operations or liquidity.

5. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, was adopted as of April 1, 1998. This Statement requires reporting of changes in shareholders' equity that do not result directly from transactions with shareholders. An analysis of these changes follows:

	Quarter ended	
	June 30, 1998	June 30, 1997
	(in thousands)	
Net loss	$ (3,804)	$ (5,414)
Foreign currency translation adjustments	(722)	209
Comprehensive net loss	$ (4,526)	$ (5,205)

6. COMPUTATION OF NET LOSS PER SHARE

Weighted average options to purchase 396,658 and 681,958 shares of common stock were outstanding for the quarters ended June 30, 1998 and 1997, respectively, but were not included in the calculations of diluted net loss per share because their effect would be antidilutive. Convertible subordinated notes were also not included in the calculations of diluted net loss per share because their effect would be antidilutive.

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

THE FOLLOWING DISCUSSION AND ANALYSIS 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 "FACTORS AFFECTING FUTURE PERFORMANCE." 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 leading international publisher, developer and distributor of interactive entertainment software. The Company currently focuses its publishing, development and distribution efforts on products designed for personal computers ("PCs") as well as the Sony PlayStation and the Nintendo 64 console systems. In selecting titles for acquisition or development, the Company pursues a combination of internally and externally developed titles, products based on proven technology and those based on newer technology, and PC and console products.

Activision distributes its products worldwide through its direct sales force, through its distribution subsidiaries CentreSoft and NBG, 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 and returns 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. The AICPA's Statement of Position 97-2 ("SOP 97-2"), "Software Revenue Recognition" provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. SOP 97-2 is effective for all transactions entered into subsequent to March 31, 1998. The Company has adopted SOP 97-2 and such adoption did not have a material impact on the Company's financial position, results of operations or liquidity.

Cost of goods sold related to console, PC and original equipment manufacturer ("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 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 and amortization of capitalized software costs. 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. Upon a product's release, prepaid royalties and license fees are charged to cost of goods sold based on the contractual royalty rate.

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 to cost of goods sold on a straight-line basis over the estimated product life or on the ratio of current revenues to total projected revenues, whichever amortization amount is greater.

For products that have been released, management evaluates the future recoverability of prepaid royalties and capitalized software costs on a quarterly basis. Prior to a product's release, the Company expenses, as part of product development costs, capitalized costs when, in management's estimate, such amounts are not recoverable. Management primarily uses the following criteria in evaluating recoverability: historical performance of comparable products; the commercial acceptance of prior products released on a given game engine; estimated performance of a sequel product based on the performance of the product on which the sequel is based; and actual development costs of a product as compared to the Company's budgeted amount.

The following table sets 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 JUNE 30,			
	1998		1997	
	Amount	% of Net Revenues	Amount	% of Net Revenues
Statement of Operations Data:				
Net revenues	$ 51,880	100.0%	$ 26,514	100.0%
Cost of goods sold	34,811	67.1%	20,276	76.5%
Gross profit	17,069	32.9%	6,238	23.5%
Operating expenses:				
Product development	5,693	11.0%	6,130	23.1%
Sales and marketing	12,614	24.3%	5,574	21.0%
General and administrative	3,987	7.7%	2,811	10.6%
Amortization of intangible assets	396	0.8%	375	1.4%
Merger expenses	175	0.3%	-	-
Total operating expenses	22,865	44.1%	14,890	56.1%
Operating loss	(5,796)	(11.2%)	(8,652)	(32.6%)
Other income (expense):				
Interest income (expense), net	(339)	(0.6%)	(32)	(0.1%)
Loss before income taxes	(6,135)	(11.8%)	(8,684)	(32.7%)
Income tax benefit	2,331	4.5%	3,270	12.3%
Net loss	$ (3,804)	(7.3%)	$ (5,414)	(20.4%)
NET REVENUES BY TERRITORY:				
North America	$ 15,909	30.7%	$ 4,975	18.8%
Europe	33,129	63.9%	20,322	76.6%
Japan	1,305	2.5%	174	0.7%
Australia/Pacific Rim	1,067	2.0%	765	2.9%
Latin America	470	0.9%	278	1.0%
Total net revenues	$ 51,880	100.0%	$ 26,514	100.0%
NET REVENUES BY PLATFORM:				
Console	$ 32,383	62.4%	$ 10,705	40.4%
PC	19,497	37.6%	15,809	59.6%
Total net revenues	$ 51,880	100.0%	$ 26,514	100.0%
NET REVENUES BY CHANNEL:				
Retailer/Reseller	$ 47,486	91.5%	$ 21,541	81.2%
OEM, licensing, on-line and other	4,394	8.5%	4,973	18.8%
Total net revenues	$ 51,880	100.0%	$ 26,514	100.0%
NET REVENUES BY ACTIVITY:				
Publishing	$ 23,152	44.6%	$ 8,057	30.4%
Distribution	28,728	55.4%	18,457	69.6%
Total net revenues	$ 51,880	100.0%	$ 26,514	100.0%

RESULTS OF OPERATIONS

NET REVENUES

Net revenues for the quarter ended June 30, 1998 increased 95.8% from the same period last year from $26.5 million to $51.9 million. This increase primarily was composed of a 218.0% increase in net revenues in North America from $5.0 million to $15.9 million and a 63.0% increase in net revenues in Europe from $20.3 million to $33.1 million. North America, Europe, Japan, Australia/Pacific Rim, and Latin America net revenues increased as a result of the increase in console and PC revenues. The results of operations for the quarter ended June 30, 1998 included results of operations for NBG EDV Handels und Verlags GmbH ("NBG") and S.B.F. Services, Limited, dba Head Games Publishing ("Head Games"), two recently acquired companies, which were treated as immaterial poolings. The results of operations for the quarter ended June 30, 1997 have not been restated to reflect such acquisitions. Net revenues for the quarter ended June 30, 1998 included $3.5 million from NBG's operations, and $2.2 million from Head Games' operations.

Console net revenues increased 202.8% over the prior year to $32.4 million as a result of the initial release of VIGILANTE 8 (PlayStation) as well as an increase in console related distribution net revenues. PC net revenues increased by 23.4% over the prior year to $19.5 million, primarily as a result of the initial release of QUAKE II MISSION PACK (Windows 95) and continued sales of Quake II (Windows 95).

OEM, licensing, on-line and other net revenues decreased 12.0% from the prior year to $4.4 million. The decrease was due to a decrease in OEM net revenues during the period, which was partially offset by an increase in licensing net revenues.

Net revenues for the quarter ended June 30, 1998 decreased 11.0% from the quarter ended March 31, 1998 from $58.3 million to $51.9 million due to a greater number of initial releases in the quarter ended March 31, 1998, such as Pitfall 3D (Playstation), Battlezone (Windows 95), Dark Reign Mission Pack (Windows 95) and Hexen II Mission Pack (Windows 95).

COST OF GOODS SOLD; GROSS PROFIT

Gross profit as a percentage of net revenues increased to 32.9% for the quarter ended June 30, 1998, from 23.5% for the quarter ended June 30, 1997. The increase in gross profit as a percentage of net revenues primarily is due to an increase in net revenues derived from publishing arrangements as opposed to distribution arrangements, as well as a higher than expected provision for returns in the prior year's fiscal quarter. Future determinations 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 revenues related to publishing arrangements versus distribution arrangements during the applicable period, the latter in each case resulting in lower gross profit margins.

OPERATING EXPENSES

Product development expenses for the quarter ended June 30, 1998 decreased 6.6% from the same period last year, from $6.1 million to $5.7 million. As a percentage of net revenues, product development expenses decreased from 23.1% to 11.0%. The decrease in product development expenses primarily was due to an increase in software development costs which were capitalized in the current quarter.

Sales and marketing expenses for the quarter ended June 30, 1998 increased 125.0% from the same period last year, from $5.6 million to $12.6 million. As a percentage of net revenues, sales and marketing expenses increased from 21.0% to 24.3%. The increase in sales and marketing expenses primarily was due to a significant increase in television advertising and an increase in the number of products scheduled to be released during the current fiscal year.

General and administrative expenses for the quarter ended June 30, 1998 increased 42.9% from the same period last year, from $2.8 million to $4.0 million. As a percentage of net revenue, general and administrative expenses decreased from 10.6% in the same period last year to 7.7%. The increase in general and administrative expenses primarily was due to an increase in worldwide administrative support needs and headcount related expenses. The decrease in general and administrative expenses as a percentage of revenue primarily was due to the 95.8% increase in net revenues.

Merger expenses of $175,000 were incurred during the quarter ended June 30, 1998 in connection with the Company's acquisition of Head Games (see Note 3 of Notes to Condensed Consolidated Financial Statements).

OTHER INCOME (EXPENSE)

Net interest expense was $339,000 for the quarter ended June 30, 1998, compared to net interest expense of $32,000 for the same period last year. This increase primarily was the result of interest costs associated with the Company's convertible subordinated notes issued in December 1997.

PROVISION FOR INCOME TAXES

The Company's effective tax benefit rate was 38.0% for the quarter ended June 30, 1998 as compared to 37.7% for the quarter ended June 30, 1997. The slight increase primarily was attributable to the territorial mix of taxable income as well as the tax effect of non-deductible merger expenses. The realization of deferred tax assets is dependent on the generation of future taxable income. Management believes that it is likely that the Company will generate taxable income sufficient to realize the benefit of deferred tax assets recognized.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased $13.0 million from $73.4 million at March 31, 1998 to $60.4 million at June 30, 1998. Approximately $11.8 million in cash and cash equivalents were used in operating activities during the quarter ended June 30, 1998. Such operating uses of cash resulted from the Company's operating loss during the most recent quarter coupled with increases in inventories, prepaid royalties and capitalized software costs, and a decrease in accounts payable. Such increases were offset partially by a decrease in accounts receivable.

In addition, approximately $185,000 in cash and cash equivalents were used in investing activities. Capital expenditures totaled approximately $579,000 during the quarter ended June 30, 1998.

Cash and cash equivalents used in financing activities totaled $266,000 for the quarter ended June 30, 1998, which included $86,000 in proceeds from exercise of employee stock options.

In December 1997, the Company completed the private placement of $60.0 million principal amount of 6 3/4% convertible subordinated notes due 2005 (the "Notes"). The Notes are convertible, in whole or in part, at the option of the holder at any time after December 22, 1997 (the date of original issuance) and prior to the close of business on the business day immediately preceding the maturity date, unless previously redeemed or repurchased, into common stock, $.000001 par value, of the Company, at a conversion price of $18.875 per share, (equivalent to a conversion rate of 52.9801 shares per $1,000 principal amount of Notes), subject to adjustment in certain circumstances. The Notes are redeemable, in whole or in part, at the option of the Company at any time on or after January 10, 2001, subject to premiums through December 31, 2003.

The Company has a $10 million revolving credit and letter of credit facility (the "Facility") with its bank (the "Bank"). The Facility provides the Company the ability to borrow funds and issue letters of credit against eligible domestic accounts receivable up to $10 million. The Facility expires in September 1998 and the Company is in discussions with a number of banks regarding the negotiation of a new facility. There can be no assurance that the Company will be able to obtain a new facility on terms and conditions that are satisfactory to it.

In Europe, the Company has a revolving credit facility (the "Europe Facility") with its bank for approximately $8.5 million. The Europe Facility can be used for working capital requirements and expires in June 2000. The Company had no borrowings under the Europe Facility as of June 30, 1998.

The Company will use its working capital ($114.9 million at June 30, 1998) 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 and cash equivalents, together with the proceeds available from the Europe Facility, 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.

Like many other software companies, the year 2000 computer issue creates risk for the Company. If internal systems do not correctly recognize date information when the year changes to 2000, there could be an adverse impact on the Company's operations. The Company has initiated a comprehensive plan to prepare its computer systems for the year 2000 and is currently implementing changes to alleviate any year 2000 incapability. The Company also is contacting critical suppliers of products and services to determine that the supplier's operations and the products and services they provide are year 2000 capable. There can be no assurance that another company's failure to ensure year 2000 capability would not have an adverse effect on the Company. Costs associated with this issue are not expected to be material.

FACTORS AFFECTING FUTURE PERFORMANCE

In connection with the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"), the Company has disclosed 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. For discussion that highlights some of the more important risks identified by management, but which should not be assumed to be the only factors that could affect future performance, see the Company's Annual Report on Form 10-K which is incorporated herein by reference. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Registrant's Annual Report on Form 10-K for the year ended March 31, 1998.

PART II. - OTHER INFORMATION

Item 5. SHAREHOLDER PROPOSALS

Any shareholder proposal submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for presentation at the Company's 1999 Annual Meeting will be considered untimely for purposes of Rule 14a-4 and 14a-5 under the Exchange Act if notice of such shareholder proposal is received by the Company after June 23, 1999.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

On July 1, 1998, the Company filed a Current Report on Form 8-K reporting the completion of the acquisition of S.B.F. Services Ltd., dba Head Games Publishing on June 30, 1998. The transaction was accounted for as a pooling of interests.

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, 1998

ACTIVISION, INC.

/s/ Barry J. Plaga	Chief Financial Officer	August 14, 1998
- --------------------		
(Barry J. Plaga)		