SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 2, 1998

OR

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

Commission file number 0-23246

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

South Dakota	41-0306862
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
331 32nd Avenue, Brookings, SD	57006
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (605) 697-4000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, No Par Value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(g) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of July 20, 1998, 4,323,290 shares of the registrant's Common Stock were issued and outstanding, and the aggregate market value of voting stock held by non-affiliates of the registrant as of July 20, 1998 was approximately $34,664,000 based on the closing price of $12.00 per share of July 20, 1998 on the NASDAQ/NMS).

Documents Incorporated By Reference

Selected portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held August 19, 1998	Incorporated into Part III

DAKTRONICS, INC.

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PART I

Item 1. Business.

THIS REPORT CONTAINS STATEMENTS WHICH CONSTITUTE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS APPEAR IN A NUMBER OF PLACES IN THIS REPORT AND INCLUDE ALL STATEMENTS THAT ARE NOT HISTORICAL STATEMENTS OF FACT REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF THE COMPANY, ITS DIRECTORS OR ITS OFFICERS WITH RESPECT TO, AMONG OTHER THINGS: (i) THE COMPANY'S FINANCING PLANS; (ii) TRENDS AFFECTING THE COMPANY'S FINANCIAL CONDITION OR RESULTS OF OPERATIONS; (iii) THE COMPANY'S GROWTH STRATEGY AND OPERATING STRATEGY; AND (iv) THE DECLARATION AND PAYMENT OF DIVIDENDS. THE WORDS "MAY," "WOULD," "COULD," "WILL," "EXPECT," "ESTIMATE," "ANTICIPATE," "BELIEVE," "INTEND," "PLANS" AND SIMILAR EXPRESSIONS AND VARIATIONS THEREOF ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE COMPANY'S ABILITY TO CONTROL, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS DISCUSSED HEREIN AND THOSE FACTORS DISCUSSED IN DETAIL IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE "RISK FACTORS" SECTION OF THE COMPANY'S REGISTRATION STATEMENT ON FORM S-1 (REGISTRATION NUMBER 333-31415), AS DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 13, 1997.

GENERAL

Daktronics is a leading supplier of electronic scoreboards, computer programmable display systems, and large video displays for sport, business and government applications. The Company offers the most complete line of large display products of any single manufacturer, from smaller indoor scoreboards and displays to multi-million dollar outdoor video display systems. The Company is recognized worldwide as a technical leader with the capabilities to design, manufacture, install and service complete integrated systems that display real-time data, graphics, animation and video. Thousands of Daktronics displays communicate with millions of viewers every day in more than 60 countries worldwide.

The Company has sold display systems ranging from small standard scoreboards priced under $1,000 to large complex displays priced in excess of $7 million. In fiscal 1998, sales of products and services under $50,000 represented approximately 40% of net sales.

The Company's net sales and profitability historically have fluctuated due to the impact of large product orders, such as display systems for the Olympic Games and major league sport facilities, as well as the seasonality of the sports market. The Company's gross margins on large product orders tend to fluctuate more than those for small standard orders. Large product orders that involve competitive bidding and substantial subcontract work for product installation generally have lower gross margins. Although the Company follows the percentage of completion method of recognizing revenues for these larger orders, the Company nevertheless has experienced fluctuations in operating results and expects that its future results of operations may be subject to similar fluctuations.

INDUSTRY

The Company's products fit into a growing niche which is part of the broad visual communications business which includes printing, photography, television, signage, etc. In particular, the Company's products fit within the signage sub-category of the broad visual communications businesses. Signage includes various niches commonly identified as painted signs, architectural signage, electric signs, programmable signs and large video displays (LVD).

Daktronics is an established leader in the niche of computer programmable signs. Growth of this product category was stimulated by the invention of the microprocessor and the continued development and acceptance in society of the personal computer. In many applications, the sign is another peripheral that is attached to a personal or desk top computer. The growth of computer programmable signage is related to the growth of the personal computer industry.

Programmable displays either emit or reflect light depending on the specific display technology that is utilized. Two years ago another technology breakthrough of the blue light emitting diode visible outdoors provided the basis for significant future growth in the industry. This allowed Daktronics to enter the large video display segment of the signage business. Previously the large video display business was dominated by the small cathode ray tube based product, and the suppliers were generally the same companies that were in the television set business.

With the availability of high quality blue and green light emitting diodes, it has been possible for Daktronics to broaden its scope and provide not only computer programmable signage but also large video displays for both outdoor and indoor usage.

Currently with the exception of Daktronics, the manufacturers of computer programmable displays are not manufacturing large video displays and conversely the large video manufacturers are not manufacturing computer programmable displays. This places Daktronics in a uniquely beneficial position to serve venues that have both requirements such as the typical large sports venue. Daktronics, through the use of its proprietary Venus(R) 7000 software, also has the unique capability of time sharing a large screen such as in a large stadium or arena between the video display functions previously provided by the large video display and the information and animation display functions previously provided by computer programmable display. Having all these functions integrated into one ultra large display system gives the venue owner significant flexibility in managing his information and entertainment presentations that has not been available previously.

It is the Company's opinion that the advent of digital television will further stimulate the ease and value of combining these video and information presentations into a single display system.

COMPANY BACKGROUND

The Company was founded in 1968 by Drs. Aelred Kurtenbach and Duane Sander, while professors of electrical engineering at South Dakota State University in Brookings, South Dakota, in part to utilize the talents of university graduates. Daktronics produced and sold its first product in 1970, a voting display system for the Utah Legislature. Using the technology developed from voting display systems, Daktronics expanded its product line to scoreboards in 1971 and commercial displays in 1973. Beginning in the late 1970's, the Company incorporated microprocessor-based computers into its display controllers to process information provided by an operator and to formulate the information for presentation on a display. At that time, Daktronics also began building computer-programmable information display systems utilizing standard modules or sections in a variety of systems. The use of modular sections for both its smaller and larger display systems has allowed the Company to offer customers a broad range of both standard and custom products. These innovations helped the Company to obtain a scoreboard contract for the 1980 Winter Olympic Games and several large college installations. In the early to mid-1980's, Daktronics continued to enhance its controller and display technology, acquired the Glow Cube(R) display technology and a manufacturer of printed circuit boards, and installed its first scoreboard in a major league facility.

During the 1990's, the Company has continued to expand its product lines, increase market share in its existing markets and develop new markets for its products. Daktronics has enhanced its Starburst(R) display technology by developing new lens and reflector designs to capture viewer attention and reduce energy consumption. The Company has display control circuitry capability to display 16 million possible color combinations at 30 frames per second. The Company has utilized this circuiting to develop technology for LED video displays. Examples of the Company's continued market penetration include (i) scoreboards for University of Oklahoma, Clemson University, Washington State University, Arizona Diamondbacks and Tamp Devil Rays, (ii) commercial displays including installations in Times Square, and (iii) variable message systems for highway usage in Maine and New Jersey.

Daktronics has received several awards, including being named the South Dakota Business of the Year in 1987, 1989 and 1993 by the South Dakota Industry and Commerce Association.

PRODUCTS

The Company offers its customers a wide range of computer-programmable information display systems consisting of related products, or families of products, that have similar functions and varying degrees of capabilities. Products within each family use displays and controllers that are built with many of the same modular components to reduce the cost of production and provide flexibility for standard and custom installations. The use of modular components also enhances the reliability and serviceability of the display systems. For example, the basketball scoreboard family includes products that use many of the same display modules and range from a small, single-faced scoreboard to a large, four-sided display with player statistics. The sizes of displays range from 2 inches by 20 inches for small indoor displays to 30 feet by 100 feet or more for large outdoor displays.

The two principal components of the Company's systems are the display and the display controller. The display controller uses computer hardware and software to process the information provided from the operator and to formulate the information, graphics or animation to be presented on the display. The display controller then controls each of the picture elements or "pixels" on the display to present the message or image.

Data is transferred between the display controller and the displays for both local and remote display sites. Local connections use twisted pair cables, fiber optic cables, infrared links or radio frequency. Both standard and cellular telephone connections are used to connect remote display locations. These connections are generally purchased from third parties.

Within each product family, Daktronics produces both standard and custom displays that vary in complexity, size and resolution. For example, a large color animation display is significantly more complex than a time and temperature display. The physical dimensions of a display depend on the size of the viewing area, the distance from the viewer to the display and the amount of information to be displayed at any one time. Generally, larger pixels spaced farther apart are used for longer distance viewing. The resolution of a display is determined by the size and spacing of each pixel, with smaller more densely packed pixels for higher resolution. The type of the display may depend on the shape of the viewing area. For example, arena scoreboards may have a viewing angle as wide as 180 degrees, compared with a roadside display which can been viewed from a passing vehicle only within a narrow angle from the display.

DISPLAY TECHNOLOGIES

Each of the Company's display systems uses one or more of the following display technologies: (i) Starburst(R) four-color incandescent lamps, (ii) SunSpot(R) monochrome incandescent lamps, (iii) Glow Cube and other reflective elements or (iv) LEDs. The selection of a display technology depends on a variety of factors, including price, location, power consumption and operating cost, and complexity of the information, graphics or animation to be displayed. The outdoor displays are designed to withstand the elements and to be visible in both bright sunlight and at night.

STARBURST(R) COLOR INCANDESCENT LAMP DISPLAYS. Starburst(R) displays use four colors (red, green, blue and clear) to display many shades of color when different combinations of lights are illuminated. The most popular Starburst(R) displays use reflectors with colored lenses over clear lamps. Each of the display lamps is turned on and off at different intervals and rates determined by the software in the controller to change what is presented on the display. The Company-designed reflector and lens system consumes less energy than a traditional incandescent lamp display while maintaining the brightness of the display to the viewing audience. The Starburst(R) color displays are used both indoors and outdoors and provide customers the flexibility of displaying text, numbers, graphics, animation and other types of information. Among the thousands of the Company's Starburst(R) display installations are the University of Georgia and University of South Carolina football scoreboards, and various indoor basketball facilities and baseball stadiums.

SUNSPOT(R) MONOCHROME INCANDESCENT LAMP DISPLAYS. SunSpot(R) displays use monochrome (one color) incandescent lamps which turn on and off at intervals and rates similar to a Starburst(R) four color display. SunSpot(R) displays are used both indoors and outdoors typically for time and temperature, messaging, graphics and other applications where color is not required. Daktronics has sold its SunSpot(R) displays for many small and large installations such as high school football stadiums, commercial businesses, and major league baseball parks.

REFLECTIVE DISPLAYS. The Company's patented Glow Cube(R) display technology uses three-dimensional pixels or "cubes." Each pixel is programmed to turn so that the viewing surface of the cube flips from a bright color to a dark contrasting color. Words and graphics form as each pixel flips from one color to the other. Glow Cube(R) displays are generally used outdoors, use less power and can be configured in a wide variety of sizes. Because a Glow Cube(R) display reflects sunlight during the day and fluorescent light at night, the display consumes relatively little power while operating. The Company's 7 x 18 foot Glow Cube(R) displays for the PGA TOUR each operate on a golf cart battery and are moved between tour sites throughout the season. Daktronics has also provided Glow Cube(R) displays for the 1996 Summer Olympic Games, the 1994 Winter Olympic Games and transportation departments in Connecticut, New Jersey and Virginia.

Another reflective product is the MagneView(TM) technology, with its two dimensional design, is a low cost alternative to the Glow Cube(R) technology. This technology, along with others, was incorporated into the displays at the 1996 Summer Olympics in Atlanta.

LED (LIGHT EMITTING DIODE) DISPLAYS. The Company's LED displays use programmable light emitting diodes as the light source for each display pixel. LED technology uses individual indicator elements that are commonly found in applications such as automobile dashboards, small appliances and digital clocks. The LEDs turn on and off at different intervals and rates to form the display images. One line LED displays are used for text, and larger LED displays are used for text, graphics, animation and video. LED displays can be one or multiple colors. The LED technology is advantageous because of the long life of LEDs and their low power consumption. Daktronics manufactures both indoor and outdoor LED displays (including its own pixels). Displays range from small character based DataTrac signs to 16 million color ProStar(TM) video displays.

PRODUCT FAMILIES

Daktronics product offering is comprised of three primary product groups:

1) Sports Products
2) Large Matrix Products
3) Business Products

SPORTS PRODUCTS

The Sports Products group includes the following products:

Sports Product Displays. The Company offers a full line of indoor scoreboards ranging from 2-digit shot clocks to high school basketball scoreboards to large center hung scoreboards incorporating message centers and ad panels. The Company offers a number of indoor scoreboard models using LED technology or incandescent models. Approximately 50% of the popular indoor models sold are now the LED type.

The Company also offers outdoor scoreboards which use mostly incandescent lamp technology. The outdoor scoreboards likewise range from 2-digit game timers to high school football scoreboards to large scoring systems incorporating message centers and ad panels.

In 1996 the Company began standardizing many of the large scoring systems, both indoor and outdoor, suitable especially for colleges and municipal arenas. Previously, many of these systems were designed individually from the ground up. This standardization of the large scoring systems has improved Daktronics ability to deliver a quality system in minimal time, with improved and more consistent margins.

Sports Product Controllers. The Company offers a variety of internally developed controllers depending on the sport and complexity of the system. The following is a list of controllers for sports displays.

All Sport(R) 2000 - low cost, entry level controller for scoreboards.
All Sport(R) 4000 - controller with enhanced features and packaging over All Sport(R) 2000.

Pro Sport(R) 6000 - controller for large multi-display, multi-sport scoring system for large college and professional levels.
OmniSport(R) 1000 - entry level timer for aquatics, track, and other timed events.
OmniSport(R) 6000 - timer with enhanced features and packaging for larger aquatics, track, or other timed events.

The Company also offers a variety of statistics and results software under the DakStat(R) trademark to compliment the controllers.

LARGE MATRIX PRODUCTS
The Large Matrix product group consist of displays having a large number of display pixels (dots or picture elements that make up an image). The pixels offered are incandescent, LED, or reflective Glow Cube(R) pixels.

In the past five years, the electronic sign industry has grown more and more sophisticated with the increased capability of the desktop PC.

Large Matrix Displays. Whereas prior to that conventional matrix displays formed images by simply turning a pixel on or off, displays today have the ability to vary the intensity of each pixel to allow the generation of multiple colors. These displays have the capability to display up to 16 million colors at speeds that allow the display of video information.

The large matrix product offering spans from a basic 24 pixel high display with on/off pixel control up to a full large-screen video at the high end.

Daktronics ProStar(TM) LED technology, which uses red, green, and blue (RGB) LEDs at brightness levels adequate for outdoor, is well suited to display video because of its very quick response times. The 16 million color RGB LED displays offer state-of-the-art video and animation capability at a price significantly less than traditional large screen videos used in sports stadiums. The first ProStar(TM) installations were installed in the fall of 1997.

The 16 million color Starburst(R) technology offers a lower cost alternative, approximately one-half the price per square foot of the RGB LED technology display for customers with tighter budgets. Although the Starburst(R) technology has lower resolution than the RGB LED product, it still provides an effective video and animation display.

Large Matrix Controllers. Daktronics Venus(R) 7000 controller uses the Windows(R) operating system. This is a PC based, high end controller which provides advanced capability for control of large animation/video displays.

The Venus(R) 4600 controller continues to be a viable product as a lower cost but very capable controller. The Company has also developed applications software that supports its Venus(R) display controllers. The Company's DakStats(R) software allows score keepers and statisticians to enter and display sports statistics and other information on certain of the Company's scoreboards. The user is responsible for updating the statistics after the software has been installed. The DakStats(R) baseball software was first used in 1988 by the AAA minor league Buffalo Bisons and has now been installed at several major league facilities, including Oriole Park at Camden Yards, Jacobs Field, Ballpark in Arlington and Coors Field. The Company has developed proprietary statistics and results software for several other sports such as golf, football, swimming, diving, auto racing, track and skiing. In addition to providing these software products, the Company develops customized hardware circuit boards and software for customers who have special information display requirements.

The Company designs interfaces between its display systems and other computer systems allowing its large scoreboard systems to receive and display information from computers used for statistics, timing or scoring. These interfaces allow the display controller to send information back to a statistics system or customer computer. These interface products automatically report continually updated sports scores and information from national wire services.

BUSINESS PRODUCTS
The Business Products develops the Company's DataTrac(TM) / InfoNet(TM) product lines intended primarily as a text-base message displays. They are lower cost than a large matrix display which are designed for full graphics and animation.

DataTrac(TM) / InfoNet(TM) Displays. The DataTrac(TM) product line consists of a family of indoor LED displays comprised of discrete 5x7 (pixel) characters. Each character is spaced horizontally and vertically from the adjacent character. This provides the least expensive display per character for display of text messages only. Daktronics offers products with .7", 1.2", 2.1" & 4.2" characters in a wide range of overall display sizes. Some models are available in either monochrome or tri-color.

InfoNet(TM) product line includes line oriented displays, with character heights of 2" and 4" on indoor models, and 9" for outdoor. The outdoor model, the G1000 series, has wide application as a low cost marquee display applicable to many of the markets Daktronics serves, especially the High School and Commercial markets. InfoNet(TM) products are available as single or multi-line units. Indoor InfoNet(TM) models find applications in the majority of markets served by Daktronics.

Controllers for DataTrac(TM) and InfoNet(TM) Displays. All DataTrac(TM) and InfoNet(TM) products have a controller in the display which is capable of receiving a downloaded display program, and then operating independently displaying that program until a new program is downloaded to it. This controller, called an MDC (Multi-purpose Display Controller), is a key building block for future product growth and expansion of the Company character and line oriented display product offering.

The Venus(R) 1500 is the software for use on a PC that allows creation of messages and simple graphic sequences for downloading to a DataTrac(TM), InfoNet(TM) or SunSpot(R) display, or future display models containing an MDC. The Venus(R) 1500 software is designed to be useable without any special training, and is applicable to all general advertising or message presentation applications.

The protocol for transferring data into the MDC is called the Venus(R) 1500 protocol. For applications not addressed by the Venus(R) 1500, OEM's can purchase the Company displays and write their own software using the Venus(R) 1500 protocol to communicate to the displays. The Company also offers a software module the OEM's can incorporate into a Windows(R) based program to reduce the time it takes to write this interface. Several OEM's have implemented the Venus(R) 1500 protocol into these applications, resulting in display sales in both the airport market and the automatic call distribution (ACD) market (ie. Credit card processing centers).

OTHER PRODUCTS. Other products outside the three primary product groups include time and temperature displays, lottery billboard displays and price displays.

MARKETING AND SALES

There are many manufacturers and sellers of signs and displays throughout the world. The design and manufacture of computer-programmable signs and displays that allow a customer to readily change the information displayed is a smaller and more specialized segment of the larger sign and display industry. Many makers of computer-programmable signs and displays serve only one or a few specialized markets. Daktronics strives to distinguish itself by providing a broad range of technologically advanced information display products to a number of strategic markets.

The Company's display systems have been sold throughout the United States and in more than 60 countries worldwide. Daktronics markets and sells its products worldwide by direct sales and through independent resellers. The Company's sales personnel learn the needs of the Company's markets and customers by establishing relationships with existing and prospective customers, attending trade shows, conventions and seminars, and participating with customers in the installation of the Company's products.

When the Company targets a potential customer for a display system, the prospect is contacted either directly or through a reseller. Daktronics sells custom display systems for larger projects on a direct basis and frequently uses a team of Company personnel to ensure that the proposed system meets the customer's needs in the most cost effective manner. Engineers, technicians and direct sales personnel participate in site visits to assess site conditions and to evaluate the customer's requirements. The Company's sales staff submits proposals to prospective customers, often followed by a business and technical presentation. The Company also regularly hosts prospective customers at its manufacturing facility to demonstrate product quality and delivery capability.

The Company's direct sales staff, who are grouped by end user market, are also responsible for international sales in their respective markets. During fiscal 1998, 1997 and 1996, 9.3%, 14.9% and 15.5% of the Company's net sales, respectively, were derived from international sales. Daktronics intends to expand its international sales. The Company has a strategic business alliance with Omega Electronics, S.A. of Bienne, Switzerland, that makes use of each other's complementary core business positions. Omega Electronics, a leading timing systems manufacturer, is now a distributor of the Company's scoreboards and matrix displays for use in sports applications around the world. The Company started to receive orders in fiscal 1996 from Omega Electronics. The Company has added Omega Electronics sports timing and photo finish products to its product offering for sale in the United States and Canada.

Resellers are used most prevalently in the areas of standard or "catalog" sports scoreboards and commercial applications where systems must be installed in accordance with local zoning ordinances. The Company offers, primarily through its resellers, a broad selection of scoreboard and display models that are moderately priced and relatively easy to install. The most popular models are built to inventory and available for next-day shipment. The remaining models are built to order and quoted for shipment in 30 to 90 days after order acceptance. The Company supports its resellers through national and regional direct mail advertising and trade show exhibitions. Regional sales managers support resellers in the field, and the Company's sales staff provides daily telephone support. Daktronics believes that it can expand market share by increasing the productivity of existing resellers and adding additional resellers in new geographic areas.

The primary markets served by the Company, along with types of customers, are shown below.

MARKETS	TYPES OF CUSTOMERS
SPORTS	Elementary and Secondary Schools, Colleges and Universities, Recreation Centers, YMCAs, Major and Minor League Sports, Olympic Games and Other Sports Federations, Civic Arenas and Convention Centers, Parimutuel Gaming and Motor Racing
BUSINESS	Banks, Auto Dealers, Shopping Malls, Casinos and other businesses
GOVERNMENT	Legislatures and Assemblies, Departments of Transportation, Financial Exchanges, Airlines, Transit

During fiscal 1998, the Company's net sales to the sports market were approximately 70% of net sales, while the business and government markets accounted for approximately 20% and 5%, respectively, of net sales.

CUSTOMER SERVICE AND SUPPORT

Daktronics believes that its prompt and reliable customer service distinguishes it from many of its competitors. The Company provides a limited warranty for most of its products against failure due to defective parts or workmanship for periods generally ranging from 90 days to 5 years after first sale or installation, depending on the product or type of customer. Under the limited warranty, the customer returns the failed component to the Company for replacement or repair. The Company also provides customer service and support, including "Help Desk" access, parts repair and replacement, and programming support for animation and other display information. The Company staffs its Help Desk with experienced technicians who are available at the desk or on call for the extended hours required to support evening and weekend sports events. A comprehensive database of customers provides the Company with immediate access to each customer's equipment and service history. A repair center is staffed with trained technicians who promptly repair and return components that require service, and offers a component exchange program for same day shipment of replacement parts. The Company's modular approach to the design and production of products enhances its ability to provide effective customer service. Customers can obtain periodic training and maintenance seminars at the Company's principal offices and also contract for on-site training and maintenance for certain types of installations such as high profile sports events.

The Company's animation and display programming support department (i) designs custom animation sequences and answers display operator questions through its Help Desk, (ii) publishes regular newsletters for operators, (iii) conducts regularly-scheduled display operator workshops throughout the year and (iv) provides on-site display operator training. Daktronics believes that its extensive customer support program is essential to continued market penetration.

To enhance the level of service available to its customers, the Company has established 15 service centers in 13 states and plans to open other service centers in the future. Scoreboard and message display sales to schools and recreation departments are also made through these offices. The Company uses a network of authorized service dealers in other domestic locations and in a number of other countries.

ENGINEERING AND PRODUCT DEVELOPMENT

The computer-programmable information display industry is characterized by ongoing product innovations and developments in display and controller technology. To remain competitive, the Company must continue to anticipate and respond to these changes and developments. Daktronics intends to continue its tradition of applying engineering resources throughout its business to help achieve more effective product development, manufacturing, sales and customer support.

The Company employs engineers and engineering technicians in the areas of mechanical design, electronics design, applications engineering, and customer and product support. Unlike some of its competitors who depend on contract engineering from outside vendors, the Company uses in-house engineering staff to anticipate and respond rapidly to the product development needs of customers and the marketplace. The Company assigns product managers from its engineering staff to each product or product family to assist its sales staff in customer training, to implement product improvements requested by customers, and to ensure that each product is designed for maximum reliability and serviceability. The Company's product development personnel also modify existing products and develop new products to comply with rule changes for particular sports.

Daktronics engineering department, consists of three design groups, each aligned with one of the three primary product families, namely:

* Sports Products
* Large Matrix
* Business Products (See "Product Families" Section)

Each of these design groups is autonomous to allow it to focus on the respective product family. This new organizational structure, plus a concentrated focus on standardization, which reduces the amount of engineering time allocated to one-time custom design, positions the company for even more effective product development in the future.

Daktronics believes its engineering capability and experience are unparalleled among its competitors and its product development capability will continue to be a very important factor in its market position.

Product development expenses for fiscal 1998, 1997, and 1996 were approximately $2,409,000, $2,208,000 and $1,857,000 respectively.

MANUFACTURING AND TECHNICAL CONTRACTING

As a vertically-integrated manufacturer of display systems, the Company performs most sub-assembly and substantially all final assembly of its products. The Company also serves as a technical contractor for customers who desire custom hardware design, custom software development or specific site support.

MANUFACTURING OPERATIONS

The Company's manufacturing operations include component manufacturing (printed circuit boards and Glow Cube(R) pixel assembly) and system manufacturing (metal fabrication, electronic assembly, sub-assembly and final assembly). Star Circuits, Inc., a wholly owned subsidiary, manufactures printed circuit boards for the Company and other customers at its separate production facility located in Brookings, South Dakota. The Company augments its production capacity with the use of outside subcontractors, primarily for metal fabrication and loading printed circuit boards.

Daktronics uses a modular approach for manufacturing its displays. Standard product modules are designed and built to be used in a variety of different products. This modular approach reduces parts inventory and improves manufacturing efficiency. The Company inventories finished goods of smaller, standard products and builds to order larger, seasonal and custom products. Daktronics designs its product modules so that a custom product may include a significant percentage of standard products to maximize reliability and ease of service. Certain components used in the Company's products are currently available from a limited number of sources. To reduce its inventories and enhance product quality, the Company elects to purchase certain components from a limited number of suppliers who are willing to provide components on an "as needed" basis. From time to time, the Company enters into pricing agreements or purchasing contracts under which it agrees to purchase a minimum amount of product in exchange for guaranteed price terms over the course of the contract, which generally do not exceed one year. Through the Company's "total quality management" and "just-in-time" methods of scheduling and manufacturing, production employees work as teams to ensure quality and timely delivery while minimizing excess inventories. The Company's order entry, production and customer service functions are also computerized to facilitate communication throughout the entire sales, design, production and delivery process.

TECHNICAL CONTRACTING

Daktronics serves as a technical contractor for larger display system installations that require custom designs and innovative product solutions. The purchase of scoreboards and other state of the art display systems for Olympic venues and other large installations typically involves competitive proposals by the Company and its competitors. As a part of its response to a proposal request, the Company may suggest additional products or features to assist the prospective customer in analyzing the optimal type of computer-programmable information display system. If requested by a customer or if necessary to help secure a bid, the Company will include as a part of its contract proposal the work necessary to prepare the site and install the display system. In such cases, Daktronics may serve as the general contractor and retain subcontractors. With each custom order, the Company forms a project team to assure that the project is completed to the customer's satisfaction. Key members of a project team include a project manager, sales person, mechanical design team, electronics and software team, manufacturing team, animation programmer, installation supervisor and an executive officer.

BACKLOG

The Company's backlog consists of customer sales agreements or purchase orders that the Company expects to fill within the next 12 months and was approximately $22.2 million as of June 30, 1998 and $10.0 million as of June 30, 1997. Because sales agreements and purchase orders are typically subject to cancellation or delay by customers with limited or no penalty, the Company's backlog is not necessarily indicative of future net sales or net income. While orders for certain products may be shipped within 90 days, other orders may take longer depending on the size and complexity of the display.

COMPETITION

The computer-programmable information display industry is highly fragmented and characterized by intense competition in certain markets. There are a number of established manufacturers of competing products who may have greater market penetration in certain market niches or greater financial, marketing and other resources than the Company. Because a customer's budget for the purchase of a computer-programmable information display is often part of that customer's advertising budget, the Company may also compete with other forms of advertising, such as television, print media or fixed display signs. Competitors might also attempt to copy the Company's products or product features.

Many of the Company's competitors compete in only one or a few of the market niches served by the Company. There are generally more competitors in markets that require less complicated information display systems, such as the high school scoreboard market and the commercial market for time and temperature or message displays used by banks and small retail stores. As the needs of a customer increase and the display systems become more complex, there are fewer competitors. Nevertheless, competition may be intense even within markets which require more complex display systems. Some of the Company's primary competitors are White Way Sign and Maintenance Company, Chicago, Illinois; Display Solutions, Inc., Atlanta, Georgia; Nevco, Inc., Greenville, Illinois; and Trans-Lux Corporation, Norwalk, Connecticut.

Daktronics competes based on its broad range of products and features, advanced technology, prompt delivery, and reliable and readily available customer service. The Company also strives to provide cost effective products and solutions for its customers. Contrary to the Company's focus on technologically advanced products and customer support, certain companies compete in some markets by providing lower cost display systems which, in the Company's belief, are of a lesser quality with lower product performance or customer support. If a customer focuses principally on price, the Company is less likely to obtain the sale. To remain competitive, Daktronics must continue to enhance its existing products, introduce new products and product features, and provide customers cost effective solutions to their scoring or display needs.

GOVERNMENT AND OTHER REGULATION

In the United States and other countries, various laws and regulations restrict the installation of outdoor signs and computer-programmable information displays. These regulations may impose greater restrictions on computer-programmable information displays due to alleged concerns over aesthetics or driver safety if a "moving" display is located near a road or highway. These factors may prevent the Company from selling products to some prospective customers.

Some of the Company's products are tested to safety standards developed by Underwriters Laboratories(R) in the United States as well as similar standards in other countries. Daktronics designs and produces these products in accordance with these standards. The Company's printed circuit board manufacturing operations use certain chemical processes that are subject to various environmental rules and regulations. The Company's manufacturing operations must also meet various safety related rules and regulations. The Company believes it is in material compliance with all applicable governmental laws and regulations.

INTELLECTUAL PROPERTY

Daktronics currently owns two United States patents. One pertains to the design of its Glow Cube(R) pixel and expires in 1999 and the other pertains to the lens display technology and expires in 2011. The Company relies principally on trademarks, rather than patents, to help establish and preserve limited proprietary protection for its products. The Company has 19 trademarks registered in the United States. Daktronics uses these trademarks to establish brand recognition and distinction in its various markets. The Company's product drawings, controller software and other works of authorship are also subject to applicable copyright laws. The Company typically provides software to its customers in only machine readable form to help preserve trade secret protection which may be applicable to the text versions of the software code. The Company also relies on nondisclosure agreements with its employees. Despite these intellectual property protections, there can be no assurance that a competitor will not copy the functions or features of the Company's products.

EMPLOYEES

At June 30, 1998, Daktronics employed approximately 525 full time employees and 353 part time and temporary employees. Of these employees, approximately 464 were in manufacturing, 208 in sales, marketing and customer service, 162 in engineering, and 44 in administration. None of the Company's employees are represented by a collective bargaining agreement. The Company believes its employee relations are good.

EXECUTIVE OFFICERS OF THE COMPANY

AELRED J. KURTENBACH, PH.D. (64) is a co-founder of the Company and has served as a director and as President of the Company since its incorporation. Dr. Kurtenbach also served as Treasurer until 1993. Dr. Kurtenbach has 41 years of experience in the fields of communication engineering and control system design, technical services, computer systems, electrical engineering education and small business management. Dr. Kurtenbach has B.S., M.S. and Ph.D. degrees in Electrical Engineering from South Dakota School of Mines and Technology, the University of Nebraska and Purdue University, respectively.

DUANE E. SANDER, PH.D. (60) is a co-founder of the Company and has served as a director and as Secretary of the Company since its incorporation. Dr. Sander is currently employed as Dean of Engineering at South Dakota State University where he has taught electrical engineering courses and directed biomedical research projects since 1967.

JAMES B. MORGAN (51) joined the Company in 1969 as a part-time engineer while earning his M.S. degree in Electrical Engineering from South Dakota State University. Since 1970, he has been employed by the Company as its Engineering Manager and since 1975 as its Vice President, Engineering, with responsibility for product development, contract design, project management for customer contracts, and corporate information and scheduling systems. Mr. Morgan has served as a director since 1984.

FRANK J. KURTENBACH (60) joined the Company in 1979 as Sales Manager of the Standard Scoreboard Division, which was expanded to include other products in 1981. He has served as Sales Manager for the Company since 1982, as a director since 1984 and as Vice President, Sales since November 1993. Mr. Kurtenbach has a M.S. degree from South Dakota State University. Aelred Kurtenbach and Frank Kurtenbach are brothers.

PAUL J. WEINAND (42) joined the Company in August 1990 as its Chief Financial Officer and has been Treasurer since November 1993. From 1985 to August 1990, he was employed by American Western Corporation, a publicly held manufacturer of plastic packaging products, as its controller. From 1980 to 1985, he was an accountant with McGladrey & Pullen, LLP. Mr. Weinand has a M.S. degree in Accounting from the University of North Dakota and is a Certified Public Accountant.

Item 2. Properties.

The Company currently owns and occupies approximately 180,000 in adjoining facilities located on a Company-owned 40-acre site in Brookings, South Dakota. The Company's circuit board manufacturing subsidiary and reflective pixel assembly operation are located at a separate site in Brookings and currently occupy 20,000 square feet in a facility owned by that subsidiary.

Item 3. Legal Proceedings.

On May 4, 1995, the Company was served with a complaint, filed in the United States District Court Northern District of Georgia, by Display Solutions, Inc. alleging that the Company and Federal Sign Division of Federal Signal Corporation infringed on the plaintiff's patent rights. On November 5, 1997, the case was dismissed and the plaintiff appealed the decision. Based on the opinion of the Company's patent counsel, management of the Company believes that there is no infringement and intends to defend the litigation vigorously. The Company's trial counsel is unable to evaluate the likelihood of an unfavorable outcome or the potential range of loss, if any.

On October 15, 1996, a lawsuit was brought by Roy L. McGreevy, Daktronics Aust/NZ ltd., and International Sign Displays Co. in the United States District Court for the District of South Dakota, Southern Division against the Company. The lawsuit alleges the Company breached contracts, committed tortious interference with contracts, intentionally inflicted emotional distress on the plaintiffs and is responsible for compensatory and punitive damages. On October 28, 1997, a jury awarded the plaintiff an amount the Company had accrued as owing the plaintiff for royalties and commissions. That amount has been paid by the Company. The plaintiff has appealed part of the verdict. The Company's trial counsel is unable to evaluate the likelihood of an unfavorable outcome, or an estimate of the range or amount of possible loss, if any.

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

No matters were submitted to a vote of stockholders through a solicitation of proxies or otherwise, during the fourth quarter of fiscal 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholders Matters.

Daktronics common stock currently trades on the NASDAQ National Market System under the symbol "DAKT". As of May 2, 1998 the Company had 446 shareholders of record. Following are the high and low sale prices for the Company's common stock:

	FY 1998 High	FY 1998 Low	FY 1997 High	FY 1997 Low
1st Quarter	6 3/8	3 5/8	5 1/4	4
2nd Quarter	6 1/8	5 1/8	5	3 5/8
3rd Quarter	6 3/4	5 1/4	4 5/8	3 7/8
4th Quarter	8 7/8	5 3/4	4 1/4	3 7/8

The Company has not paid any cash dividends on its common stock and does not intend to pay cash dividends in the foreseeable future. Earnings will be retained for use in the operation and expansion of the Company's business. Provisions of the Company's bank credit agreement limit the Company's ability to pay cash dividends.

Item 6. Selected Financial Data.
(In Thousands, Except Per Share Data)

	1998	1997	1996	1995	1994
Statement of Operations Data:					
Net Sales.............................	$69,884	$62,640	$52,507	$41,947	$41,102
Operating Income (Loss)................	5,028	2,501	(319)	1,210	3,220
Net Income (Loss)......................	3,392	1,508	(215)	967	1,976
Diluted earnings (Loss) per Share......	.78	.35	(.05)	.23	.62
Weighted Average Share Outstanding.....	4,336	4,266	4,191	4,228	3,163
Balance Sheet Data:					
Working Capital........................	$12,229	$10,923	$9,504	$12,169	$11,944
Total Assets...........................	43,488	37,136	37,767	28,262	27,370
Long-term Liabilities..................	1,659	2,640	2,568	2,292	2,723
Shareholder's Equity...................	25,184	21,750	19,861	20,076	19,109

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

The Company designs, manufactures and sells a wide range of computer-programmable information display systems to customers in a variety of markets throughout the world. The Company focuses its sales and marketing efforts on markets rather than products. Major categories of markets include sport, business and government.

The Company's net sales and profitability historically have fluctuated due to the impact of large product orders, such as display systems for the Olympic Games and major league sport facilities, as well as the seasonality of the sports market. The Company's gross margins on large product orders tend to fluctuate more than those for small standard orders. Large product orders that involve competitive bidding and substantial subcontract work for product installation generally have lower gross margins. Although the Company follows the percentage of completion method of recognizing revenues for these larger orders, the Company nevertheless has experienced fluctuations in operating results and expects that its future results of operations may be subject to similar fluctuations.

The Company operates on a 52-53 week fiscal year, with fiscal years ending on the Saturday closest to April 30 of each year. The Company's 1998 fiscal year contained 52 weeks.

RESULTS OF OPERATIONS

The following table sets forth the percentage of net sales represented by items included in the Company's Consolidated Statements of Operations for the fiscal years ended 1998, 1997 and 1996:

	YEAR ENDED 1998	1997	1996
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	71.8	74.7	78.7
Gross profit	28.2	25.3	21.3
Operating expenses	21.0	21.3	21.9
Operating income (loss)	7.2	4.0	(0.6)
Interest income	0.9	0.9	0.7
Interest expense	(0.6)	(1.2)	(1.2)
Other income	0.2	0.3	0.4
Income (loss) before income taxes	7.7	4.0	(0.7)
Income tax expense (credits)	2.8	1.6	(0.3)
Net income (loss)	4.9%	2.4%	(0.4)%

NET SALES

Net sales for fiscal 1998 were $69.9 million representing a 12% increase over fiscal 1997 sales of $62.6 million. The increase in sales was due to increased sales in almost all of the Company's market niches, especially the sports market niches.

Net sales for fiscal 1997 were $62.6 million representing a 19% increase over fiscal 1996 sales of $52.5 million. The increase was primarily the result of increased sales in all sports market niches except the major league niche. The business and government niches also experienced a net increase in sales.

The Company occasionally sells products in exchange for advertising revenues from the scoreboard or display. These sales represented less than 10% of net sales for fiscal 1998, 1997 and 1996. The gross profit margin on these net sales has been comparable to the gross profit margin on other net sales.

GROSS PROFIT

Gross profit increased from $15.9 million in fiscal 1997 to $19.7 million in fiscal 1998. The increase was due to increased sales and continued improvement in gross profit percentage of sales as the Company continues its cost improvement programs, including product standardization. Gross profit as a percentage of net sales was 25.3% in fiscal 1997 and 28.2% in fiscal 1998. Gross profit increased from $11.2 million in fiscal 1996 to $15.9 million in fiscal 1997. The increase was due to increased sales and an improvement in gross profit as a percentage of net sales from 21.3% in fiscal 1996 to 25.3% in fiscal 1997. The increase in gross profit as a percentage of net sales was the result of cost improvement programs, including product standardization, improved quoting programs and the recognition of a contract overrun in fiscal 1996.

OPERATING EXPENSES

Selling expenses have increased 22% and 9% for fiscal years 1998 and 1997, respectively over the previous fiscal year. The increases were primarily attributable to the expansion of sales staff and higher travel expenses as the Company continues to expand its marketing efforts.

General and administrative expenses increased 4% and 38% for fiscal years 1998 and 1997, respectively over the previous fiscal year. The modest increase in fiscal 1998 was due to a large increase in fiscal 1997 which was the result of incurred and accrued legal fees in 1997. In fiscal 1997, the Company established an accrual to defend itself in various lawsuits and continues to maintain this accrual in fiscal 1998 as it awaits the outcome of several appeals (see note to the consolidated financial statements).

Product design and development expenses increased 9% and 19% for fiscal years 1998 and 1997, respectively over the previous fiscal year. The increases were due to the Company's commitment to develop new products and continue to improve existing products to maintain a competitive advantage. The increase in fiscal 1997 was additionally the result of the introduction of the Company's new RGB (red, green, blue) LED video product and related control system. The Company continued development in this technology in fiscal 1998 through improvements in the technology and development of new models.

INTEREST INCOME

The Company occasionally sells products on an installment basis or in exchange for advertising revenues from the scoreboard or display, both of which result in long-term receivables. Interest income was $.7 million, $.5 million and $.4 million for fiscal years 1998, 1997 and 1996 respectively. Factors affecting the increases include the average balance of long-term receivables resulting from new receivables, principal repayments and the sale of long-term receivables to third parties, and excess cash balances invested in interest bearing accounts.

INTEREST EXPENSE

Interest expense was $.4 million, $.7 million and $.6 million for the fiscal years 1998, 1997, and 1996. The decrease in interest expense from fiscal 1997 to fiscal 1998 was the result of lower average loan balances during fiscal 1998. The increase in interest expense from fiscal 1996 to fiscal 1997 was the result of increased average loan balances and higher interest rates as the Company utilized its line of credit to fund increased operating activities.

INCOME TAXES

The effective tax rates were 37%, 40% and 41% for fiscal years 1998, 1997 and 1996, respectively.

NET INCOME (LOSS)

Net income was $3.4 million and $1.5 million for fiscal years 1998 and 1997, respectively, compared to a net loss of $215,000 for fiscal year 1996. The increases in net income were primarily the result of increased sales and improved gross profit as a percentage of net sales. The loss in fiscal 1996 was additionally impacted by a $900,000 loss on a contract.

Management believes that one of the principal factors that will continue to affect the Company's rate of growth is the Company's ability to increase the marketing of its current and future products in existing markets and expand the marketing of its products to new markets.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was $12.2 million at May 2, 1998 compared to $10.9 million at May 3, 1997. The increase was primarily the result of an increase in net income which was offset by the purchase of property and equipment.

Cash provided by operations for fiscal 1998 was $.8 million. Net income of $3.4 million plus depreciation and amortization of $2.1 million and an increase of $2.5 million in accounts payable and accrued expenses were offset by an increase in receivables of $3.1 million and an increase in inventories of $3.0 million. The increase in receivables was attributable to the increase in net sales. The increase in inventories was a result of the Company's current backlog of orders.

Cash used for investing activities for fiscal 1998 was $3.2 million which principally consisted of equipment acquisitions and plant expansion.

Cash provided by financing activities was $2.4 million which consisted primarily of net borrowings under the Company's line of credit and was offset by principal payments on long-term debt.

The Company has used and expects to continue to use cash reserves and bank borrowings to meet its short-term working capital requirements. On large product orders, the time between order acceptance and project completion may extend up to 12 months depending on the amount of custom work and the customer's delivery needs. The Company often receives a down payment or progress payments on these product orders. To the extent that these payments are not sufficient to fund the costs and other expenses associated with these orders, the Company uses working capital and bank borrowings to finance these cash requirements.

The Company's product development activities include the enhancement of existing products and the development of new products from existing technologies. Product development expenses for fiscal years 1998, 1997 and 1996 were $2.4 million, $2.2 million, and $1.9 million, respectively. The Company intends to continue to incur these expenditures to develop new display products using various display technologies to offer higher resolution, more cost-effective and energy-efficient displays. The Company also intends to continue developing software applications for its display controllers to enable these products to continue to meet the needs and expectations of the marketplace.

The Company has a credit agreement with a bank. The credit agreement provides for a $15.0 million line of credit which includes up to $2.0 million for standby letters of credit. The line of credit is at the prime rate of interest established by the bank from time to time (8.50% at May 2, 1998) and is due on September 15, 2000. As of May 2, 1998, $5.6 million had been drawn on the line of credit and no standby letters of credit had been issued by the bank. The credit agreement is unsecured and requires the Company to meet certain covenants. Financial covenants include the maintenance of tangible net worth of at least $21.5 million, a minimum liquidity ratio and a maximum ratio of liabilities to tangible net worth.

The Company is sometimes required to obtain performance bonds for display installations. The Company currently has a bonding line available through an insurance company that provides for an aggregate of $25.0 million in bonded work outstanding. At May 2, 1998, the Company had $8.3 million of bonded work outstanding against this line.

The Company believes that if its growth continues, it may need to increase the amount of its credit facility. The Company anticipates that it will be able to obtain any needed funds under commercially reasonable terms from its current lender. The Company believes that cash from operations, from its existing or increased credit facility, and its current working capital will be adequate to meet the cash requirement of its operations in the foreseeable future.

BUSINESS RISKS AND UNCERTAINTIES

A number of risks and uncertainties exist which could impact the Company's future operating results. These uncertainties include, but are not limited to, general economic conditions, competition, the Company's success in developing new products and technologies, market acceptance of new products, and other factors, including those set forth in the Company's SEC filings, including its current report on Form 10-K for the year ended May 2, 1998.

YEAR 2000 ISSUES

Many existing computer programs use only two digits to identify a year in the date field, with the result that data referring to the Year 2000 and subsequent years may be misinterpreted by these programs. If present in the computer applications of the Company or its suppliers and not corrected, this problem could cause computer applications to fail or to create erroneous results and could cause a disruption in operations and have an adverse effect on the Company's business and results of operations. The Company has evaluated its principal computer systems and is in the process of implementation of new enterprise resource planning software which will be fully operational in fiscal 1999 and has been represented by the vendor to be Year 2000 compliant. The cost of the new software will be capitalized. The Company has initiated discussions with its key suppliers to determine whether they have any Year 2000 issues. The Company has not incurred any material expenses to date in connection with this evaluation, and does not anticipate material expenses in the future, depending on the status of its key suppliers with respect to this issue. The Company has reviewed its computer programs which it includes in its display systems and has started to implement changes to be Year 2000 compliant. The Company has determined that the cost of these modifications will not have a material impact on the result of operations in upcoming fiscal years.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board and the Accounting Standards Executive Committee have issued certain Statements of Financial Accounting Standards and Statements of Position, respectively, which have required effective dates occurring after the Company's May 2, 1998 year end. The Company's financial statements, including the disclosures therein, are not expected to be materially affected by those accounting pronouncements.

Item 8. Financial Statements and Supplementary Data.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Daktronics, Inc.
Brookings, South Dakota

We have audited the accompanying consolidated balance sheets of Daktronics, Inc. and subsidiary as of May 2, 1998 and May 3, 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended May 2, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Daktronics, Inc. and subsidiary as of May 2, 1998 and May 3, 1997, and the results of their operations and their cash flows for each of the three years in the period ended May 2, 1998, in conformity with generally accepted accounting principles.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
June 17, 1998

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
MAY 2, 1998 AND MAY 3, 1997
(DOLLARS IN THOUSANDS)

ASSETS	1998	1997
Current Assets		
Cash and cash equivalents	$ 148	$ 118
Accounts receivable (Note 4)	13,632	11,889
Current maturities of long-term receivables (Note 4)	990	1,072
Inventories (Note 2)	10,994	8,025
Costs and estimated earnings in excess of billings (Note 3)	1,523	1,251
Prepaid expenses and other	448	129
Deferred income taxes (Note 9)	1,139	1,185
TOTAL CURRENT ASSETS	28,874	23,669
Property and equipment, net (Note 2)	9,225	7,447
Advertising rights (Note 5)	--	1,766
Long-term receivables (Note 4)	4,575	3,038
Intangible assets	814	1,216
	$ 43,488	$ 37,136

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1997
Current Liabilities		
Note payable, bank (Note 5)	$ 5,594	$ 2,675
Current maturities of long-term debt (Note 5)	455	713
Accounts payable	5,730	4,089
Accrued expenses (Note 2)	3,752	2,892
Billings in excess of costs and estimated earnings (Note 3)	645	1,075
Accrued loss on uncompleted contracts	--	399
Income taxes payable	469	903
TOTAL CURRENT LIABILITIES	16,645	12,746
Long-Term Debt, less current maturities (Note 5)	783	1,706
Deferred Income	361	481
Deferred Income Taxes (Note 9)	515	453
Contingencies (Notes 4, 10 and 11)		
Shareholders' Equity (Notes 6 and 7)		
Common stock, no par value; authorized 15,000,000 shares, issued 1998 4,324,210 shares, 1997 4,311,340 shares	11,722	11,680
Retained earnings	13,471	10,079
Less cost of treasury stock 4,920 shares 1998 and 1997	(9)	(9)
	25,184	21,750
	$ 43,488	$ 37,136

See Notes to Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND SHAREHOLDERS' EQUITY
YEARS ENDED MAY 2, 1998, MAY 3, 1997 AND APRIL 27, 1996
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

OPERATIONS	1998	1997	1996
Net sales	$ 69,884	$ 62,640	$ 52,507
Cost of goods sold	50,187	46,768	41,297
GROSS PROFIT	19,697	15,872	11,210
Operating expenses:			
Selling	9,094	8,108	7,462
General and administrative	3,166	3,055	2,210
Product design and development	2,409	2,208	1,857
	14,669	13,371	11,529
OPERATING INCOME (LOSS)	5,028	2,501	(319)
Nonoperating income (expense):			
Interest income	654	534	376
Interest expense	(414)	(748)	(631)
Other income, net	110	206	209
INCOME (LOSS) BEFORE INCOME TAXES	5,378	2,493	(365)
Income tax expense (credits) (Note 9)	1,986	985	(150)
NET INCOME (LOSS)	$ 3,392	$ 1,508	$ (215)
Earnings (loss) per share:			
Basic	$ 0.79	$ 0.35	$ (0.05)
Diluted	$ 0.78	$ 0.35	$ (0.05)

SHAREHOLDERS' EQUITY	Common Stock	Retained Earnings	Treasury Stock	Total
Balance, April 29, 1995	$ 11,299	$ 8,786	$ (9)	$ 20,076
Net (loss)	--	(215)	--	(215)
Balance, April 27, 1996	11,299	8,571	(9)	19,861
Exercise of stock options (Note 6)	381	--	--	381
Net income	--	1,508	1,508	
Balance, May 3, 1997	11,680	10,079	(9)	21,750
Exercise of stock options (Note 6)	42	--	--	42
Net income	--	3,392	--	3,392
Balance, May 2, 1998	$ 11,722	$ 13,471	$ (9)	$ 25,184

See Notes to Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 2, 1998, MAY 3, 1997 AND APRIL 27, 1996
(DOLLARS IN THOUSANDS)

	1998	1997	1996
Cash Flows From Operating Activities			
Net income (loss)	$ 3,392	$ 1,508	$ (215)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,471	1,255	1,094
Amortization	634	823	736
Provision for impairment loss on advertising rights	--	600	--
Provision for loss on uncompleted contracts	--	225	900
Provision for doubtful accounts	179	130	274
Deferred income taxes (credits)	108	(514)	(248)
Other	5	(10)	--
Change in operating assets and liabilities (Note 12)	(4,968)	924	(5,633)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	821	4,941	(3,092)
Cash Flows From Investing Activities			
Proceeds from sale of property and equipment	11		
Purchase of property and equipment	(3,265)	(2,208)	(1,394)
Proceeds from sale of real estate held for sale	--	1,126	--
Purchase of intangible assets	--	--	(763)
Other	33	39	13
NET CASH (USED IN) INVESTING ACTIVITIES	(3,221)	(1,043)	(2,144)
Cash Flows From Financing Activities			
Net borrowings (payments) on note payable	2,919	(3,015)	5,690
Proceeds from exercise of stock options	42	381	--
Principal payments on long-term debt	(531)	(1,364)	(516)
Payment on accounts payable for purchase of other assets	--	--	(100)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,430	(3,998)	5,074
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30	(100)	(162)
Cash and Cash Equivalents			
Beginning	118	218	380
Ending	$ 148	$ 118	$ 218
Supplemental Cash Flow Disclosures			
Interest paid	$ 456	$ 725	$ 626
Net income tax payments	2,298	532	300

See Notes to Consolidated Financial Statements

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business: Daktronics, Inc. and its subsidiary design, manufacture, and sell a wide range of computer-programmable information display systems to customers in a variety of markets throughout the world.

Fiscal year: The Company operates on a 52 - 53 week fiscal year end with fiscal years ending on the Saturday closest to April 30 of each year. The years ended May 2, 1998 and April 27, 1996 each included 52 weeks and the year ended May 3, 1997 included 53 weeks.

A summary of the Company's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of Daktronics, Inc. and its wholly-owned subsidiary, Star Circuits, Inc. Intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near-term relate to the determination of the estimated total costs on long-term contracts and estimated costs to be incurred for litigation.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all money market mutual funds to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Revenue and cost recognition on long-term contracts: Earnings on long-term contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. Operating expenses are charged to operations as incurred and are not allocated to contract costs. Provisions for estimated losses (which were $0 in 1998, $225 in 1997 and $900 in 1996) on uncompleted contracts are made in the period in which such losses are estimable.

Long-lived assets: In fiscal year 1997, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The Statement prescribes that an impairment loss be recognized when facts and circumstances indicate the carrying amount of the asset is more than the estimate of future undiscounted cash flows. Impairment is recorded based on an estimate of future discounted cash flows. There was no cumulative effect on the financial statements as a result of the adoption of Statement No. 121.

Advertising rights: The Company occasionally installs scoreboards and message display centers at colleges, universities and other facilities in exchange for the rights to future advertising revenues from the scoreboard or message display center for a specific number of years (generally seven to ten years). The advertising space is sold by the Company for terms ranging from one year to the complete term of the advertising rights. The Company recognizes revenue at the time the advertising is sold for the amount of the present value of the future advertising revenue on the portion of the scoreboard or message display center advertising (individual advertising panel) which is sold for the entire term. The cost assigned to the portion sold is based upon the relative value of the portion of the scoreboard or message display center sold.

Advertising rights on the portion of the advertising which have not been sold to term are stated at cost which represent the inventory cost of the underlying scoreboard including materials, labor and overhead. Such costs are amortized on a straight-line method over the term of the advertising rights. Accumulated amortization on advertising rights was $0 and $1,543 as of May 2, 1998 and May 3, 1997, respectively. On the portion of the advertising rights which are not sold to term, revenue is recognized when it becomes receivable under the provisions of the advertising contract. Advance collections of advertising revenues are

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recorded as deferred income.

During the fourth quarter of 1997, the Company committed to a plan to dispose of certain advertising rights with a carrying amount of $1,514. The advertising rights had an estimated sales value of $914. Accordingly, the Company recorded an impairment loss of $600 in 1997 on this long-lived asset, which was included in cost of sales.

Property and equipment: Property and equipment is stated at cost. Depreciation of property and equipment is computed principally on the straight-line method over the following estimated useful lives:

	Years
Buildings	7 - 40
Machinery and equipment	5 - 7
Office furniture and equipment	3 - 7
Transportation equipment	5 - 7

Intangible assets: Intangible assets consist of consulting and noncompete agreements and goodwill. Consulting and noncompete agreements are stated at cost and are amortized on a straight-line method over their remaining terms which range from one to five years. Goodwill is amortized on the straight-line method over 5 years. Accumulated amortization on intangible assets was $1,363 and $1,414 as of May 2, 1998 and May 3, 1997, respectively.

Product warranty: Current operations are charged for the estimated cost of future claims under the terms of various customer warranty programs provided by the Company. Customers have the option of purchasing long-term warranty contracts. The amounts received for long-term warranties are included in deferred income and are amortized over the lives of the warranties.

Product design and development: All expenditures related to product design and development are charged to operations as incurred.

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock-based compensation: In fiscal year 1997, the Company adopted FASB Statement No. 123, "Accounting for Stock-Based Compensation". The Statement established standards for accounting for stock-based compensation but also allows companies to continue to account for stock-based compensation under the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and make certain additional disclosures in the notes to the financial statements. The Company continues to account for stock-based compensation in accordance with APB Opinion No. 25.

Earnings per share: Earnings (loss) per share are calculated in accordance with the provisions of FASB Statement No. 128, "Earnings Per Share", which was effective for fiscal year 1998. This Statement establishes standards for computing and presenting earnings (loss) per share (EPS). It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of an income statement for all entities with complex capital structures. This Statement requires restatement of all prior-period EPS data presented. No restatement of EPS was necessary as a result of the application of Statement No. 128.

A reconciliation of the income and common stock share amounts used in the calculation of basic and diluted earnings per share for the years ended May 2, 1998 and May 3, 1997 follows. Diluted earnings per share for the year ended April 27, 1996 is antidilutive, and therefore not presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Net Income	Shares	Per Share Amount
For the year ended May 2, 1998:			
Basic EPS	$ 3,392	4,312,414	$ 0.79
Effect of dilutive securities: Exercise of stock options	--	24,046	0.01
Diluted EPS	$ 3,392	4,336,460	$ 0.78
For the year ended May 3, 1997:			
Basic EPS	$ 1,508	4,250,445	$ 0.35
Effect of dilutive securities: Exercise of stock options	--	15,797	--
Diluted EPS	$ 1,508	4,266,242	$ 0.35

Options outstanding of 97,200, 261,450 and 229,950 shares of common stock at weighted average share prices of $7.72, $6.48 and $6.93 during the years ended May 2, 1998, May 3, 1997 and April 27, 1996, respectively, and the warrant discussed in Note 7 were not included in the computation of diluted earnings per share because the exercise price of those options and the warrant exceeded the average market price of the common shares during the respective year.

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements: The Financial Accounting Standards Board and the Accounting Standards Executive Committee have issued certain Statements of Financial Accounting Standards and Statements of Position, respectively, which have required effective dates occurring after the Company's May 2, 1998 year end. The Company's financial statements, including the disclosures therein, are not expected to be materially affected by those accounting pronouncements.

NOTE 2. SELECTED FINANCIAL STATEMENT DATA

	1998	1997
Inventories:		
Raw materials	$ 8,657	$ 4,638
Work-in-process	790	1,168
Finished goods	1,547	2,219
	$ 10,994	$ 8,025
Property and equipment:		
Land	$ 492	$ 492
Buildings	5,069	4,283
Machinery and equipment	12,177	9,975
Office furniture and equipment	403	242
Transportation equipment	590	546
	18,731	15,538
Less accumulated depreciation	9,506	8,091
	$ 9,225	$ 7,447
Accrued expenses:		
Product warranty	$ 1,551	$ 844
Compensation	1,382	1,115
Taxes, other than income taxes	469	506
Other	350	427
	$ 3,752	$ 2,892

NOTE 3. UNCOMPLETED CONTRACTS

Uncompleted contracts consist of the following:

	1998	1997
Costs incurred	$ 3,325	$ 4,922
Estimated earnings	1,241	712
	4,566	5,634
Less billings to date	3,688	5,458
	$ 878	$ 176

Uncompleted contracts are included in the accompanying consolidated balance sheets as follows:

	1998	1997
Costs and estimated earnings in excess of billings	$ 1,523	$ 1,251
Billings in excess of costs and estimated earnings	645	1,075
	$ 878	$ 176

NOTE 4. RECEIVABLES

The Company sells its products throughout the United States and certain foreign countries on credit terms that the Company establishes for each customer. On the sale of certain scoreboards and message display centers, the Company has the ability to file a contractor's lien against the product installed as collateral. Foreign sales are generally secured by irrevocable letters of credit. During the fiscal years ended 1998, 1997 and 1996, foreign sales were approximately $6,528, $9,356 and $8,121, respectively. Foreign sales by individual geographical area vary from year to year.

Accounts receivable include unbilled receivables of $1,553 and $941 as of May 2, 1998 and May 3, 1997, respectively. Unbilled receivables are generally invoiced within thirty days. Accounts receivable are reported net of an allowance for doubtful accounts of $208 and $194 at May 2, 1998 and May 3, 1997, respectively.

In connection with the sale of certain scoreboards and message display centers, the Company has entered into long-term sales contracts and sales type leases. The present value of the contract or lease is recorded as a receivable upon the installation and acceptance of the scoreboard or message display, and profit is recognized to the extent that the present value is in excess of cost. The Company generally retains a security interest in the scoreboard, message display or advertising rights until the contract is paid. Long-term contract and lease receivables, including accrued interest and current

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 4. RECEIVABLES (CONTINUED)

maturities, were $5,565 and $4,110 as of May 2, 1998 and May 3, 1997, respectively. Contract and lease receivables bear interest at rates of 9.0% to 24.5% and are due in varying annual installments through September of 2006.

During the year ended May 3, 1997, the Company sold contracts receivable with recourse in the amount of $1,156, resulting in a gain of $38.

At May 2, 1998 and May 3, 1997, the Company was contingently liable for contracts sold with recourse of $782 and $1,238, respectively.

NOTE 5. FINANCING AGREEMENTS

Long-term debt:

	1998	1997
9.7% - 12.5% Contracts payable, primarily related to advertising rights, due in annual installments, including interest, from January 2001 to August 2005	$ 675	$ 1,487
8.05% and 10.0% Notes payable to a university, due in annual installments, including interest, through January 2000 collateralized by advertising rights	309	458
9.7% - 12.3% Unsecured contracts payable, due in monthly installments, including interest, from January 1999 to June 2000	139	299
Other notes payable, bank and installment obligations secured by equipment	115	175
	1,238	2,419
Less current maturities	455	713
	$ 783	$ 1,706

Maturities of long-term debt are as follows at May 2, 1998: 1999 $455; 2000 $333; 2001 $124; 2002 $67; 2003 $63; and thereafter $196.

Credit agreement: The Company has a credit agreement with a bank. The credit agreement provides for a $15,000 line of credit which includes up to $2,000 for standby letters of credit. The line of credit is at the prime rate of interest established by the bank from time to time (8.5% at May 2, 1998) and is due on September 15, 2000. As of May 2, 1998, $5,594 had been drawn on the line of credit and no standby letters of credit had been issued by the bank. The credit agreement is unsecured and requires the Company to meet certain covenants. Financial covenants include the maintenance of tangible net worth of at least $21,500, a minimum liquidity ratio and a maximum ratio of liabilities to tangible net worth.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 6. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for grants under the fixed stock option plans. Had compensation cost for the Company's stock-based compensation plans been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	1998	1997	1996
Net income (loss):			
As reported	$ 3,392	$ 1,508	$ (215)
Pro forma	3,350	1,469	(235)
Earnings (loss) per share:			
As reported:			
Basic	0.79	0.35	(0.05)
Diluted	0.78	0.35	(0.05)
Pro forma:			
Basic	0.78	0.35	(0.06)
Diluted	0.77	0.34	(0.06)

The pro forma effects of applying Statement No. 123 are not indicative of future amounts since, among other reasons, the pro forma requirements of the Statement have been applied only to options granted after April 29, 1995.

Fixed stock option plans: The Company has reserved 360,000 shares of its common stock for issuance under two fixed stock option plans under which it may grant options to purchase common stock. These options may have a maximum term of 10 years at the market price or 110% of market price on the date of grant. Options for up to 300,000 shares may be granted to employees under the 1993 Stock Option Plan (1993 Option Plan) and options for up to 60,000 shares may be granted to outside directors under the 1993 Outside Directors Stock Option Plan (Outside Directors Plan). Options in the 1993 Option Plan vest at 20% per year and options in the Outside Directors Plan vest at 1,000 options annually.

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 1998, 1997 and 1996, respectively: no dividend rate for all years; price volatility of 28% for 1998, and 25% for 1997 and 1996; risk-free interest rates of 6.5%, 6.2% and 6.3% for the 1993 Option Plan and 6.5%, 6.9% and 6.4% for the Outside Directors Plan; and expected lives of five to seven years for the 1993 Option Plan and seven years for the Outside Directors Plan for all years.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 6. STOCK-BASED COMPENSATION (CONTINUED)

A summary of the status of the plans at May 2, 1998, May 3, 1997 and April 27, 1996 and changes during the years ended on those dates follows:

	1998		1997		1996	
Fixed Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	274,280	$ 6.34	357,010	$ 5.62	290,610	$ 5.55
Granted	67,850	5.40	47,000	4.31	67,700	5.96
Forfeited	(1,750)	6.25	(14,200)	6.46	(1,300)	7.08
Exercised	(12,870)	3.30	(115,530)	3.30	--	--
Outstanding at end of year	327,510	6.26	274,280	6.34	357,010	5.62

Options for 147,842, 112,240 and 186,090 shares were exercisable at May 2, 1998, May 3, 1997 and April 27, 1996, respectively. The weighted average fair value of options granted were $2.59, $1.83 and $2.48 for the years ended May 2, 1998, May 3, 1997 and April 27, 1996, respectively.

A further summary about fixed options outstanding at May 2, 1998 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$3.30 to $4.88	44,510	8.1 years	$ 4.32	8,702	$ 4.30
$5.31 to $6.56	177,800	7.7	5.91	53,980	6.27
$7.22 to $8.39	105,200	5.2	7.68	85,160	7.69
$3.30 to $8.39	327,510	6.9	6.26	147,842	6.97

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 7. SHAREHOLDERS' EQUITY

Common stock: The Company has 15,000,000 shares of no par value stock. The authorized shares include 10,000,000 shares of common stock and 5,000,000 shares of "undesignated stock". The Company's board of directors has the power to issue any or all of the shares of undesignated stock including the authority to establish the rights and preferences of the undesignated stock, without shareholder approval.

Common stock warrant: The Company, in connection with its public offering, issued the underwriter a five year warrant to purchase up to 113,312 shares of the Company's common stock. The warrant is exercisable at $9.15 per share and expires in February 1999.

NOTE 8. EMPLOYEE BENEFIT PLANS

The Company has an Employee Stock Ownership Plan (ESOP) and a related trust for the benefit of its employees. Employees are eligible to participate in the plan upon completion of one year of service if they have attained the age of 21 and have worked at least 1,000 hours during such plan year. Contributions to the plan are recognized as compensation expense and are made at the discretion of the Board of Directors. There were no contributions to the plan during the fiscal years ended 1998, 1997 and 1996. No dividends were paid on plan shares in 1998, 1997 or 1996 and all outstanding plan shares are included for purposes of earnings per share computations.

The Company has an employee savings plan which provides for voluntary contributions by eligible employees into designated investment funds with a matching contribution by the Company of 25% of the employee's qualifying contribution up to 6% of such employee's compensation. Employees are eligible to participate upon completion of one year of service if they have attained the age of 21 and have worked more than 1,000 hours during such plan year. The Company contributed $115, $110 and $107 to the plan for the fiscal years ended 1998, 1997 and 1996, respectively.

NOTE 9. INCOME TAXES

Income tax expense (credits) consists of the following:

	1998	1997	1996
Current:			
Federal	$ 1,757	$ 1,448	$ 78
State	121	51	20
Deferred	108	(514)	(248)
	$ 1,986	$ 985	$ (150)

The components of the net deferred tax asset as of 1998 and 1997 are as follows:

	1998	1997
Deferred tax assets:		
Product warranty accruals	$ 596	$ 352
Impairment loss on advertising rights	--	216
Legal fees accrual	180	180
Vacation accruals	217	147
Uncompleted contracts	--	144
Inventories	123	105
Allowance for doubtful accounts	75	70
Other accruals	22	42
Other, net	184	134
	1,397	1,390
Less valuation allowance	--	--
	1,397	1,390
Deferred tax liabilities:		
Property and equipment	773	652
Advertising rights	--	6

	773	658
	$ 624	$ 732

Reflected on the accompanying consolidated balance sheets as follows:

	1998	1997
Current assets	$ 1,139	$ 1,185
Noncurrent liabilities	515	453
	$ 624	$ 732

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 9. INCOME TAXES (CONTINUED)

A reconciliation of the provision for income taxes and the amount computed by applying the federal statutory rate to income (loss) before income tax expense (credits) is as follows:

	1998	1997	1996
Computed income tax expense (credits) at federal statutory rate	$ 1,882	$ 873	$ (128)
State taxes, net of federal benefit	80	34	13
Meals and entertainment	75	67	59
Reversal of overaccrual of prior years' taxes	--	--	(103)
Other, net	(51)	11	9
	$ 1,986	$ 985	$ (150)

NOTE 10. YEAR 2000 ISSUE

The Year 2000 issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. The Company is dependent on computer processing in its business activities and the Year 2000 issue creates risk for the Company from unforeseen problems in the Company's computer system and from third parties with whom the Company conducts business with. Such failures of the Company's computer system and/or third parties' computer systems could have a material impact on the Company's ability to conduct its business.

In accordance with its remediation plan to resolve the Year 2000 issue, the Company has completed a review of its computer systems and products to identify systems and products that could be affected by the Year 2000 issue. The Company has purchased and is in the process of installing new enterprise resource planning software which the vendor has represented to be Year 2000 compliant. Based on the Company's review, it is the opinion of management that the implementation cost of the software and other remediation costs to be incurred in 1998 and 1999 will not be material to the Company's financial position and results of operations.

NOTE 11. LITIGATION

On May 4, 1995, the Company was served with a complaint alleging that the Company infringed on the plaintiff's patent rights. On November 5, 1997, the case was dismissed and the plaintiff appealed the decision. Management of the Company believes that there is no infringement and intends to defend the litigation vigorously. The Company's trial counsel is unable to evaluate the likelihood of an unfavorable outcome or the potential range of loss, if any.

During the year ended May 3, 1997, a lawsuit was brought by another party alleging the Company breached contracts, committed tortious interference with the contract, intentionally inflicted emotional distress and is responsible for compensatory and punitive damages. On October 28, 1997, a jury awarded the plaintiff an amount equal to the amount the Company had accrued as owing the plaintiff for royalties and commissions. That amount has been paid by the Company. The plaintiff has appealed part of the verdict. The Company's trial counsel is unable to evaluate the likelihood of an unfavorable outcome, or potential range of loss, if any.

The Company has recorded a provision for estimated costs to be incurred in connection with the litigation described above as well as other miscellaneous claims and litigation arising in the ordinary course of business.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 12. CASH FLOW INFORMATION

Noncash investing and financing activities consist of the sale of advertising rights through reduction of long-term debt of $231 and issuance of a long-term receivable of $683 in 1998; reduction of long-term receivable of $419 to offset and reduce long-term debt by the corresponding amount in 1998; purchase of advertising rights through issuance of long-term debt of $675 in 1997; purchase of advertising rights through incurrence of accounts payable of $160 in 1997; property and equipment transferred to inventory of $10 in 1997; sale of property and equipment of $193 included in long-term receivables in 1997; purchase of property and equipment through issuance of long-term debt of $182 in 1997; purchase of other assets through issuance of long-term debt and reduction of accounts receivable of $278 and $128, respectively, in 1996; and acquisition of real estate held for sale through assumption of long-term debt of $1,065 in 1996.

Changes in operating assets and liabilities consist of the following:

	1998	1997	1996
(Increase) decrease:			
Trade receivables	$ (1,922)	$ (3,389)	$ (186)
Installment receivables	(1,191)	169	(1,324)
Inventories	(2,969)	1,785	(3,564)
Costs and estimated earnings in excess of billings	(272)	1,433	(1,493)
Advertising rights	587	97	(805)
Prepaids and other	(319)	180	(40)
Increase (decrease):			
Accounts payable and accrued expenses	2,501	196	2,234
Billings in excess of costs and estimated earnings	(430)	74	45
Accrued loss on uncompleted contracts	(399)	(466)	(260)
Deferred income	(120)	(58)	(89)
Income taxes payable	(434)	903	(151)
	$ (4,968)	$ 924	$ (5,633)

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the balance sheets for cash and cash equivalents approximate their fair values due to the highly liquid nature of the instruments. The fair values for fixed-rate contracts receivable are estimated using discounted cash flow analyses, using interest rates currently being offered for contracts with similar terms to customers with similar credit quality. The carrying amounts reported on the balance sheets for contracts receivable approximate fair value. Fair values for the Company's off-balance-sheet instruments (contingent liability for contracts sold with recourse) are not significant. The note payable, bank is a variable rate note that reprices frequently. The fair value on this note approximates its carrying value. The carrying amounts reported for variable rate long-term debt approximate fair value. Fair values for fixed-rate long-term debt are estimated using a discounted cash flow calculation that applies interest rates currently being offered for debt with similar terms and underlying collateral. The total carrying value of long-term debt reported on the balance sheets approximates fair value.

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 14. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents summarized quarterly financial data.

1998	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 15,768	$ 16,936	$ 17,168	$ 20,012
Gross profit	4,008	4,887	4,643	6,159
Net income	269	829	693	1,601
Basic and diluted earnings per share	0.06	0.19	0.16	0.37

1997	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter*
Net sales	$ 17,022	$ 16,257	$ 11,516	$ 17,845
Gross profit	4,408	4,073	2,992	4,399
Net income (loss)	640	443	(78)	503
Basic and diluted earnings (loss) per share	0.15	0.11	(0.02)	0.12

* Includes provision for impairment loss on advertising rights of $600 and accrual of estimated costs for litigation of $400 in the 4th quarter.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

NONE.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

The information regarding the directors of the Company is incorporated by reference from pages 3 to 5 of the Company's Proxy Statement dated July 24, 1998.

The information concerning executive officers is included in Part I, Item 1 of this Form 10-K.

Item 11. Executive Compensation.

This information is incorporated by reference from pages 6 to 7 of the Company's Proxy Statement dated July 24, 1998. The "Performance Graph" and the "Report of the Compensation Committee" on pages 8 to 10 are specifically not incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information is incorporated by reference from pages 10 to 11 of the Company's Proxy Statement dated July 24, 1998.

Item 13. Certain Relationships and Related Transactions.

NONE

PART IV.

Item 14. Exhibits, Financial Statements Schedules, and Reports on Form 8-K.

2. Financial Statement Schedules.
   Schedule II - Valuation and Qualifying Accounts.

3. Exhibits
   - 3.1 Reserved
   - 3.2 Amended and Restated Articles of Incorporation of the Company. (1)
   - 3.3 Reserved
   - 3.4 Amended and Restated Bylaws of the Company. (1)
   - 4.1 Form of Stock Certificate evidencing Common Stock, without par value, of the Company. (2)
   - 10.1 Daktronics, Inc. 1993 Stock Option Plan. (1)
   - 10.2 Daktronics, Inc. 1993 Outside Directors Stock Option Plan. (1)
   - 10.3 Daktronics, Inc. Employee Stock Ownership Plan and Trust. (3)
   - 10.4 Daktronics, Inc. 401(k) Profit Sharing Plan and Trust. (2)
   - 10.5 Form of Indemnification Agreement between the Company and each of its officers and directors.(1)
   - 10.6 Reserved
   - 10.7 Reserved

10.8 Credit Agreement dated April 30, 1997 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(4) 10.9 Reserved

10.10 Form of Stock Option Agreements effective May 25, 1993 between Daktronics, Inc. and Dr. Aelred Kurtenbach, Dr. Duane Sander and James Morgan, granted in consideration of their personal guarantee of performance bonds issued to the Company.(1)

10.11 First Amendment to Credit Agreement dated December 23, 1997 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(5)

10.12 Second Amendment to Credit Agreement dated April 24, 1998 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(5)

21.1 Subsidiaries of the Company.(1)

23.1 Consent of McGladrey & Pullen, LLP.(5)

27.1 Financial Data Schedule(5)

(1) Incorporated by reference under the same exhibit number to the exhibits filed with the Registration Statement on Form S-1 on December 3, 1993 as Commission File No. 33-72466.

(2) Incorporated by reference under the same exhibit number to the exhibits filed with Amendment No. 1 to the Registration Statement on Form S-1 on January 12, 1994 as Commission File No. 33-72466.

(3) Incorporated by reference under same exhibit number to the exhibits filed with form 10K on April 29, 1995 as Commission File No. 0-23246.

(4) Incorporated by reference under same exhibit number to the exhibits filed with Form 10K on May 3, 1997 as Commission File No. 0-23246.

(5) Filed herewith

(b) 1. Reports on Form 8-K.
None

All Sport(R), OmniSport(R), DakStats(R), Venus(R), Glow Cube(R), Starburst(R), SunSpot(R), ProStar(TM), DataTime(R), MagneView(TM), DataTrac(TM), InfoNet(TM), ProSport(R) are trademarks of Daktronics, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized on July 29, 1998.

DAKTRONICS, INC.

By: /s/ Aelred J. Kurtenbach
Aelred J. Kurtenbach, President
(principal executive officer)

By: /s/ Paul J. Weinand
Paul J. Weinand, Treasurer and Chief Financial Officer (principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
By /s/ Roland J. Jensen Roland J. Jensen	Director	July 29, 1998
By /s/ Aelred J. Kurtenbach	Director	July 29, 1998
By /s/ Frank J. Kurtenbach Frank J. Kurtenbach	Director	July 29, 1998
By /s/ James B. Morgan James B. Morgan	Director	July 29, 1998
By /s/ John L. Mulligan John L. Mulligan	Director	July 29, 1998
By /s/ Charles S. Roberts Charles S. Roberts	Director	July 29, 1998
By /s/ Duane E. Sander Duane E. Sander	Director	July 29, 1998
By /s/ Edwin M. Theisen Edwin M. Theisen	Director	July 29, 1998
By /s/ James A. Vellenga James A. Vellenga	Director	July 29, 1998

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors
Daktronics, Inc.
Brookings, South Dakota

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated supplemental schedule II is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic consolidated financial statements. The schedule has been subjected to the auditing procedures applied in our audits of the basic consolidtеd financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
June 17, 1998

DAKTRONICS, INC. AND SUBSIDIARIES SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED MAY 2, 1998, MAY 3, 1997 AND APRIL 27, 1996
(DOLLARS N THOUSANDS)

Allowance for Doubtful Accountsl	Balance at Beginning of Year	Additions/ Provisions (Charged to Expense)	Deductions (1)	Balance at End of Year
1998	$ 194	$ 179	$ (165)	$ 208
1997	129	130	(65)	194
1996	113	274	(258)	129

(1) Write off of uncollectible accounts

INDEX OF EXHIBITS

3. Exhibits

3.1 Reserved

3.2 Amended and Restated Articles of Incorporation of the Company. (1)

3.3 Reserved

3.4 Amended and Restated Bylaws of the Company. (1)

4.1 Form of Stock Certificate evidencing Common Stock, without par value, of the Company. (2)

10.1 Daktronics, Inc. 1993 Stock Option Plan. (1)

10.2 Daktronics, Inc. 1993 Outside Directors Stock Option Plan. (1)

10.3 Daktronics, Inc. Employee Stock Ownership Plan and Trust. (3)

10.4 Daktronics, Inc. 401(k) Profit Sharing Plan and Trust. (2)

10.5 Form of Indemnification Agreement between the Company and each of its officers and directors.(1)

10.6 Reserved

10.7 Reserved

10.8 Credit Agreement dated April 30, 1997 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(4)

10.9 Reserved

10.10 Form of Stock Option Agreements effective May 25, 1993 between Daktronics, Inc. and Dr. Aelred Kurtenbach, Dr. Duane Sander and James Morgan, granted in consideration of their personal guarantee of performance bonds issued to the Company.(1)

10.11 First Amendment to Credit Agreement dated December 23, 1997 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(5)

10.12 Second Amendment to Credit Agreement dated April 24, 1998 between Norwest Bank Minnesota, National Association and Daktronics, Inc.(5)

21.1 Subsidiaries of the Company.(1)

23.1 Consent of McGladrey & Pullen, LLP.(5)

27.1 Financial Data Schedule(5)

(1) Incorporated by reference under the same exhibit number to the exhibits filed with the Registration Statement on Form S-1 on December 3, 1993 as Commission File No. 33-72466.

(2) Incorporated by reference under the same exhibit number to the exhibits filed with Amendment No. 1 to the Registration Statement on Form S-1 on January 12, 1994 as Commission File No. 33-72466.

(3) Incorporated by reference under same exhibit number to the exhibits filed with form 10K on April 29, 1995 as Commission File No. 0-23246.

(4) Incorporated by reference under same exhibit number to the exhibits filed with Form 10K on May 3, 1997 as Commission File No. 0-23246.

(5) Filed herewith

Exhibit 10.11

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT is made as of the ____ day of December, 1997, and is by and between Daktronics, Inc., a Minnesota corporation (the "Borrower"), and Norwest Bank Minnesota, National Association, a national banking association (the "Bank").

REFERENCE IS HEREBY MADE to that certain Credit Agreement dated as of April 30, 1997 (the "Credit Agreement") made between the Borrower and the Bank. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

WHEREAS, the Borrower has requested the Bank to modify the borrowing availability under the Line; and,

WHEREAS, the Bank is willing to grant the Borrower's request, subject to the provisions of this First Amendment;

NOW, THEREFORE, in consideration of the premises and for other valuable consideration received, it is agreed as follows:

1. Section 1.1 of the Credit Agreement is hereby amended by changing the third sentence of said Section so that, when read in its entirety, it provides as follows:

   As used herein, "Borrowing Base" shall mean an amount equal to (i) Fifteen Million And No/100 Dollars ($15,000,000.00) during the period commencing on the date of the First Amendment to this Agreement to September 30, 1998.

2. The Borrower hereby represents and warrants to the Bank as follows:

   A. As of the date of this First Amendment, the outstanding principal balance of the Revolving Note is $_______________, accrued but unpaid interest thereon equals $_______________ and the L/C Exposure is $_______________.

   B. The Credit Agreement and the other documents executed by the Borrower in connection therewith constitute valid, legal and binding obligations owed by the Borrower to the Bank, subject to no counterclaim, defense, offset, abatement or recoupment.

   C. As of the date of this First Amendment, (i) each of the representations and warranties referred to in Section 5 of the Credit Agreement is true, and (ii) there

existsno event of default under Section 7 of the Credit Agreement, nor does there exist any event which, with the giving of notice or the passage of time, or both, could become such an event of default.

   D. The execution, delivery and performance of this First Amendment by the Borrower are within its corporate powers, have been duly authorized, and are not in contravention of law or the terms of the Borrower's Articles of Incorporation or By-laws, or of any undertaking to which the Borrower is a party or by which it is bound.

   E. All financial statements delivered to the Bank by or on behalf of the Borrower, including any schedules and notes pertaining thereto, have been prepared in accordance with Generally Accepted Accounting Principles consistently applied, and fully and fairly present the financial condition of the Borrower at the dates thereof and the results of operations for the periods covered thereby, and there have been no material adverse changes in the financial condition or business of the Borrower from __________________, 1997 to the date hereof.

3. Upon request by the Bank, the Borrower shall deliver a Norwest Corporate Certificate of Authority to the Bank dated as of the date of this First Amendment, and in form and content acceptable to the Bank.

4. Except as expressly modified by this First Amendment, the Credit Agreement remains unchanged and in full force and effect. All indebtedness under the Line shall continue to be evidenced by the Revolving Note, which remains in full force and effect; provided, however, that all references in the Revolving Note to the "Agreement" shall be deemed to mean the Credit Agreement, as amended hereby.

IN WITNESS WHEREOF, the Borrower and the Bank have executed this First Amendment as of the date first written above.

DAKTRONICS, INC.

By: ----------------------------------

Its: ---------------------------------

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

By: ----------------------------------
Sharlyn G. Rekenthaler,
Vice President

Exhibit 10.12

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT is made as of the ____ day of April, 1998, and is by and between Daktronics, Inc., a Minnesota corporation (the "Borrower"), and Norwest Bank Minnesota, National Association, a national banking association (the "Bank").

REFERENCE IS HEREBY MADE to that certain Credit Agreement dated as of April 30, 1997, as amended by a First Amendment dated December 23, 1997 (as amended, the "Credit Agreement"), made between the Borrower and the Bank. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

WHEREAS, the Borrower has requested the Bank to renew the Line to September 15, 2000; and,

WHEREAS, the Bank is willing to grant the Borrower's request, subject to the provisions of this Second Amendment;

NOW, THEREFORE, in consideration of the premises and for other valuable consideration received, it is agreed as follows:

1. Section 1.1 of the Credit Agreement is hereby amended by changing the third sentence of said Section so that, when read in its entirety, it provides as follows:

    As used herein, "Borrowing Base" shall mean an amount equal to Fifteen Million And No/100 Dollars ($15,000,000.00) during the period commencing on the date of the Second Amendment to this Agreement to September 15, 2000.

2. Section 1.2 of the Credit Agreement is hereby amended by changing the date referenced in said Section from "September 30, 1998" to "September 15, 2000."

3. Section 6.2(a) of the Credit Agreement is hereby amended so that, when read in its entirety, it provides as follows:

    (a) Tangible Net Worth. Maintain its Tangible Net Worth at a level equal to or greater than (i) $19,500,000.00 as of April 30, 1998, (ii) $21,500,000.00 as of July 31, 1998, October 31, 1998 and January 31, 1999, (iii) $23,000,000.00 as of April 30, 1999, (iv) $21,500,000.00 as of July 31, 1999, October 31, 1999 and January 31, 2000, (v) $23,000,000.00 as of April 30, 2000, and (vi) $21,500,000.00 as of July 31, 2000.

4. Section 6.2(d) of the Credit Agreement is hereby amended so that, when read in its entirety, it provides as follows:

    (d) Net Profit. Achieve a net profit after taxes (determined in accordance with Generally Accepted Accounting Principles) at a level equal to or greater than (i) $1,200,000.00 for the fiscal year ending April 30, 1998, (ii) $300,000.00 for the three-month period ending July 31, 1998, (iii) $600,000.00 for the six-month period ending October 31, 1998, (iv) $900,000.00 for the nine-month period ending January 31, 1999, (v) $1,200,000.00 for the fiscal year ending April 30, 1999, (vi) $300,000.00 for the three-month period ending July 31, 1999, (vii) $600,000.00 for the six-month period ending October 31, 1999, (viii) $900,000.00 for the nine-month period ending January 31, 2000, (ix) $1,200,000.00 for the fiscal year ending April 30, 2000, and (x) $300,000.00 for the three-month period ending July 31, 2000.

5. Exhibit C (form of compliance certificate) attached to this Second Amendment shall replace Exhibit C to the Credit Agreement.

6. Simultaneously with the execution of this Second Amendment, the Borrower shall execute and deliver to the Bank a new promissory note (which, for purposes of this Second Amendment only, shall be referred to herein as the "New Revolving Note") in the face amount of $15,000,000.00, and in form and content acceptable to the Bank. The New Revolving Note shall replace, but shall not be deemed payment or satisfaction of, the Revolving Note. All

references in the Credit Agreement to the "Revolving Note" shall be deemed to mean the New Revolving Note.

7. The Borrower hereby represents and warrants to the Bank as follows:

   A. As of the date of this Second Amendment, the outstanding principal balance of the Revolving Note is $_______________, accrued but unpaid interest thereon equals $_______________ and the L/C Exposure is $_______________.

   B. The Credit Agreement and the other documents executed by the Borrower in connection therewith constitute valid, legal and binding obligations owed by the Borrower to the Bank, subject to no counterclaim, defense, offset, abatement or recoupment.

   C. As of the date of this Second Amendment, (i) each of the representations and warranties referred to in Section 5 of the Credit Agreement is true, and (ii) there exists no event of default under Section 7 of the Credit Agreement, nor does there exist any event which, with the giving of notice or the passage of time, or both, could become such an event of default.

   D. The execution, delivery and performance of this Second Amendment and the New Revolving Note by the Borrower are within its corporate powers, have been duly authorized, and are not in contravention of law or the terms of the Borrower's Articles of Incorporation or By-laws, or of any undertaking to which the Borrower is a party or by which it is bound.

E. All financial statements delivered to the Bank by or on behalf of the Borrower, including any schedules and notes pertaining thereto, have been prepared in accordance with Generally Accepted Accounting Principles consistently applied, and fully and fairly present the financial condition of the Borrower at the dates thereof and the results of operations for the periods covered thereby, and there have been no material adverse changes in the financial condition or business of the Borrower from __________________, 199__ to the date hereof.

8. Upon request by the Bank, the Borrower shall deliver a Norwest Corporate Certificate of Authority to the Bank dated as of the date of this Second Amendment, and in form and content acceptable to the Bank.

9. Except as expressly modified by this Second Amendment, the Credit Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the Borrower and the Bank have executed this Second Amendment as of the date first written above.

DAKTRONICS, INC.	NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION
By: -----------------------------------	By: ----------------------------------
	Sharlyn G. Rekenthaler, Vice President
Its: ----------------------------------	

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Form S-8 for Daktronics, Inc. 1993 Stock Option Plan and Outside Directors Stock Option Plan and Daktronics, Inc. 401(k) Profit Sharing Plan and Trust and in the related Prospectuses of our report, dated June 17, 1998, with respect to the consolidated financial statements of Daktronics, Inc. and subsidiary and the schedule included in this Annual Report on Form 10-K for the year ended May 2, 1998.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
July 29, 1998l

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1,000

YEAR
MAY-02-1998
MAY-02-1998
148
0
13,840
208
10,994
28,874
18,731
9,506
43,488
16,645
0
0
0
11,722
13,462
43,488
69,884
69,884
50,187
50,187
14,669
179
414
5,378
1,986
3,392
0
0
0
3,392
.79
.78