

straight from the

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VOLUME 3 ISSUE 3

DIAGNOSTIC
LABORATORY
SERVICES, INC.

RICHARD OKAZAKI NEW CEO & PRESIDENT

NEXT PHASE OF GROWTH STARTS NOW

PROFILE

NAME:

Richard Okazaki

TITLE:

President and Chief Executive Officer

EDUCATION:

University of Hawaii
Iolani School

PERSONAL:

Wife – Melva (married 33 years)
Children – Marissa, 24 and Scott, 20

INTERESTS:

Traveling, skiing, golf

PETS:

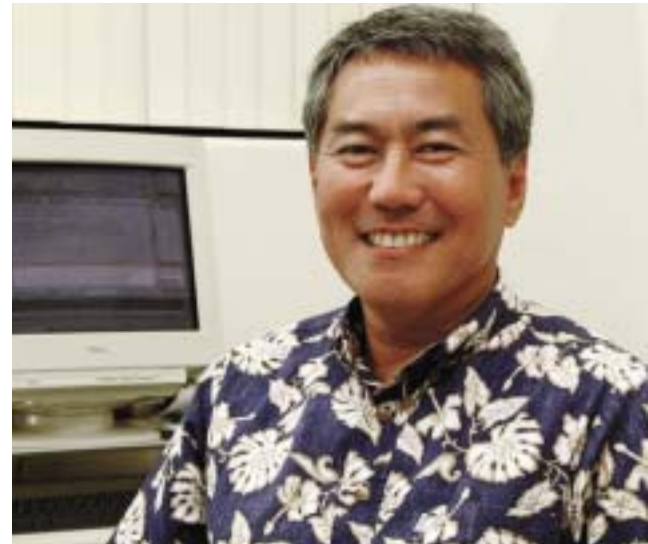
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Diagnostic Laboratory Services bid farewell to its formative years in October when it celebrated its 18th birthday. Leading the company through its next phase of life will be new Chief Executive Officer Richard Okazaki. He took over the top spot on September 1 after eight years as chief financial officer and the last seven as general manager.

Okazaki has been so busy during this transition, he just moved into his new office. A few boxes sit in the corner as Okazaki describes Diagnostic Lab's preparations for change over the past few years, "We are still in our early stages. We're still a growing entity," he notes. We are in an industry that continues to evolve. Change and the preparation for change is a significant issue.

Diagnostic Labs began its operations in 1985 with 120 employees and \$4 million in revenue. When Okazaki joined in

1988, employment had grown to 150 and revenue to \$8 million. Today it boasts 550 employees with collections in excess of \$53 million.



The company is always looking for appropriate opportunities to expand, but profits are not the sole driving force. Keeping the community healthy is the major driver, and because it is part of

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BOARD MEMBER MIYATAKI BRINGS GLOBAL PERSPECTIVE

HE SEES POTENTIAL FOR DIAGNOSTIC LABS AS A CONSULTANT



If you drive too fast on Hawaii Kai Drive, you may miss it. Hidden behind trees and rolling greenery is the Japan-America Institute of Management Science, or JAAMS. At the center of this unique institute is JAAMS President and Diagnostic Labs Board Member Glenn Miyataki.

Miyataki's daunting responsibility is to develop managers and leaders for a global economy. JAAMS does this through various postgraduate and graduate

training programs and targeting the best and brightest minds throughout the Pacific.

About 60 students a year, mainly from Asia, learn about US business principles, and language, while another 30 MBAs focus their attention on business and language in Japan and China. Also, more than 300 managers from Japan receive short-term, customized training from JAAMS each year.

Miyataki says, "All of the jobs I've had, I've loved. Everyday I wake up and want to come to work."

He's had plenty of work. Miyataki was born and raised in Waialua. After graduating from the University of Hawaii (UH), he spent the next decade on the mainland – first in the military, at the Strategic Air Command Headquarters Command Post in Nebraska, then receiving his MBA and PhD from the

University of Colorado.

Miyataki returned to the islands with his family in 1975 because he says: "We had two kids. We wanted them to grow up in the Hawaii environment and give them a sense of values."

Miyataki soon became a valuable member of the UH administration and orchestrated the university's benchmark strategic plan in 1984. Prior to joining JAAMS in 1996, Miyataki was the associate dean of the UH College of Business.

His ties with Diagnostic Labs go back to 1997 when Miyataki led a seminar on organizational behavior and change for the physicians and staff at Queens Hospital. Four years ago, former Diagnostic Labs President John Edwards lured Miyataki onto the Board.

He contributes a deep understanding of business, internal management and globalization. "I would like to see Diagnostic Labs become more global in the Asia-Pacific region or become consultants in developing countries," says Miyataki. "Also, Diagnostic Labs can play a much more preventive role in the marketplace. It can take on a tremendous educational role for the public."

Miyataki also serves the public as a member of the State Judicial Council and sits on Board of Directors of Hawaiian Host and numerous community boards.

During those brief moments when he is not in an office, Miyataki can be found on the golf course, or in front of the TV watching sports.

AUTOMATION KEEPS DIAGNOSTIC LABS ON LEADING EDGE

TECHNOLOGICAL ADVANCES HELP PATIENTS FASTER, BETTER

Music plays softly in a corner. A couple of medical technicians quietly exchange notes, as another silently examines test tubes. Amidst this tranquil setting, hundreds of vials of blood race around a conveyor belt that doesn't appear to have a beginning or an end.

This area of continuous activity, known as Chemistry, is on the fourth floor of Queens Hospital. Here Diagnostic Labs employees test the composition of blood and urine – looking for irregularities that may indicate an illness. The same tests are done a few miles away at the main lab in the Dole Cannery.

The laboratories, which test more than four million specimens each year, are overseen by Vice Presidents of Technical Operations Jonn Ragle and Minnie Pang.

This once labor-intensive field has become highly automated. The technological advances are allowing Diagnostic Labs to more accurately measure a patient's health and vital functions. Without these results, doctors cannot respond with the proper treatment.

Medical technicians make sense of a host of numbers to identify an assortment of ailments or a pending crisis: Is there a looming kidney failure? Why isn't the liver functioning properly?

Diagnostic Labs has remained successful due to its ability to change with the times. Labs of the past were highly departmentalized with employees working in one department. Now with

automated systems, those old "walls" are coming down and the various disciplines within laboratory testing work more closely together. Many of its employees are cross-trained so they can easily move from chemistry, to hematology, to coagulation.

The stream of specimens coming into the lab never stops. Although the job can be seen by some as routine, Ragle says employee morale is good and the job is satisfying.

"The challenge is to remember it's not just a test tube. It's a person's health you're looking at."

Ragle believes the future holds even more changes. He sees the day when machines will be able to create genetic markers that will accurately predict future health problems, rather than reacting to them.

With each medical advancement, the Chemistry Department strives to do better. "We are a very good lab," says Ragle, "Can we get better? Absolutely and we will."



MICROBIOLOGY DEPARTMENT PLAYS DETECTIVE

DISEASE, DRUGS CONSTANTLY CHANGE, MAKING SLEUTHING ALWAYS CHALLENGING

Edna Ayling opens the door to her office and sneezes five times. That is how each day starts for the woman who works in a room filled with bacteria and parasites. By the end of the day, her staff in Diagnostic Labs' Microbiology Department will figure out the name and antidote for those pathogens.

Ayling manages 30 employees who work with 15,000 specimens each month. Their findings provide invaluable information to doctors searching for causes and cures for patients' illnesses.

Ayling walks around the workstations, picking up petri dishes and microscope slides, to point out visual signs of propagating bacteria. She prides herself on the precise work done by her staff.

In microbiology, technicians are trying to identify pathogens and what drugs will be successful in fighting them.

Results are not always quick, because unlike other laboratory tests, microbiologists' findings are determined by the growth rate of cultures. That process can take anywhere from a day to a week.

Ayling says at the end of each test there is a real sense of accomplishment, "It's a challenge. In microbiology it's all new everyday. You never know what new organisms you will find."

Technology has dramatically changed what was once a very labor-intensive field. Scientific advances have led to cases where a machine can now do the work of what once took 12 people to accomplish.

Ayling has been with Diagnostic Labs for 18 years and has witnessed the evolution of microbiology. She says the one constant is change. "You have to stay current as technology changes. The types of antibiotics are changing all the time. Research is always changing."

Ayling stands in the center of this whirlwind of change, surrounded by dedicated technicians cultivating remedies, and a deeper understanding of this complex science.



DIAGNOSTIC LABS REACHES OUT TO PREVENT DISEASE

FREE LAB TESTS FOR THE HOMELESS HELP KEEP HAWAII HEALTHY

Diagnostic Laboratory Services is enriching the lives of Hawaii's poor and saving taxpayers quite a bit of money through one of its community service efforts.

The company provides free medical testing to all of the major health care institutions serving Hawaii's homeless and indigent. For a number of years, Diagnostic Labs has provided laboratory testing for the community's needy at no cost. This adds up to about \$15,000 a month in free services and supplies. For the social services agencies, it adds up to more than \$100,000 a year.

If not for the company's outreach program,

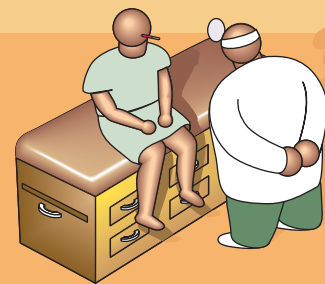
many of Hawaii's homeless and indigent would fall through the cracks. Their lifestyle makes them more susceptible to infectious diseases such as HIV, hepatitis and diabetes. Diagnostic Labs preventive lab testing service reduces the need for much more expensive medical treatment in the future. Those costs would ultimately be borne by insurance companies or taxpayers.

Diagnostic Labs works directly with various social service agencies, such as the Aloha Medical Mission. Each month up to 200 low-income patients walk through the doors of the facility in Palama. Clinic Manager Chris

Kawamoto says 99 percent of them could not afford a lab test.

"The service is invaluable and we would not be able to function without their assistance," Kawamoto says.

Diagnostic Labs also provides free lab tests to the River of Life Mission, Institute of Human Services (IHS), Waikiki Health Center, Waianae Coast Comprehensive Health Center, Waikiki Health Center, Kokua Kalihi Clinic and Kalihi-Palama Clinic.



RICHARD OKAZAKI *continued from front page*

the Queen's Health Systems and Kuakini Health Systems, Diagnostic Labs profits are actually rolled back into these health systems to keep costs down and quality up. Diagnostic Lab's success allows it to reach into the community in another way too: it provides free lab testing for the homeless and indigent under programs administered by several of Hawaii's health and human services agencies and nonprofit organizations.

As the state's poor struggle to stay healthy, the health care industry has its own struggles. Reduced reimbursements and increased regulation translate to greater costs. Okazaki says the challenge continues to be doing more with less.

Diagnostic Labs performs millions of tests and transactions each year with very few errors. "As good as

we believe we are, we are driven to improve. When you are in the business of healthcare, any mistake is an unacceptable error," says Okazaki.

He firmly believes in investing in his staff. Okazaki does not hesitate when saying employees are Diagnostic Lab's greatest asset.

"The cost of laboratory technology is significant. But when you look at it in the context of the total system it's a relatively small portion. Our most significant investment is in labor."

The new man at the top has not lost sight of all the moving parts that keep Diagnostic Labs poised for growth.