Japan has seen different evolutionary paths for different types of alcoholic beverages since the end of the World War II. Government policies have had significant influences on the conduct of saké industry, as it was one of the major source of tax revenue for the government for a long time, and because rice, from which saké is made, is the main staple food of Japan. We have seen increasing westernisation of food and alcoholic beverages particularly since the 1970’s, and combined with low-quality saké prevailing the market largely due to the government policy, an upsurge of other alcoholic beverages seemed inevitable. The Japanese government has been executing several significant law changes regarding the tax rates and class-differentiation for different types of alcohols. Utilising the data from 1948 to 2011, we analyse the impact of liquor tax policy on alcoholic beverage sectors in Japan, applying the feasible generalised least squares (FGLS) estimator allowing for panel-specific autocorrelation and heteroskedastictiy across panels. Sectoral growth and general economic performance in terms of final consumption expenditure per capita were found significant with major impacts on the increase in alcohol production across sectors, although the impact of tax policy seems to vary depending on the types of alcohol.