Abstract: This paper explores the extent to which the market valuation of Japanese government bonds (JGB) deviates from the present value of corresponding coupons and redemption, and how such deviation depends on possible sources of convenience (specialness) associated with time-dependent components as well as issue-specific characteristics. Using market prices of long term JGBs traded for the period between November 1995 and December 2001, this paper empirically demonstrates that common factors among issues were largely influenced by wide differences in cheapness to deliver among deliverable issues as a result of a large deviation of a hypothetical rate (6%) from market yields (far below 2%). Such an effect of cheapness to deliver was weakened after a fail to deliver was allowed in 2001. In addition, we find evidence for 'flight to liquidity phenomenon' in 1997 and 1998, as well as massive capital flows into long term instruments in 2000 and 2001. On the other hand, issue-specific differences in issue sizes and coupon rates had at most marginal effects on convenience. Unlike in the US government bond market, any convenience (specialness) was not found on on-the-run issues up to 2000.