Abstract: The impacts of monetary easing on inequality have been attracting increasing attention recently. In this paper, we use the micro-level data on Japanese households to study the distributional effects of monetary policy. We construct quarterly series of income and consumption inequality measures from 1981 to 2008, and estimate their response to a monetary policy shock. We find that monetary policy shocks do not have a statistically significant impact on inequality across Japanese households in a stable manner. When considering inequality across households whose head is employed, we find evidence that, before the 2000s, an expansionary monetary policy shock increased income inequality through a rise in earnings inequality. Such procyclical responses are, however, scarcely observed when the current data are included in the sample period, or when earnings inequality across all households is considered. We also find that transmission of income inequality to consumption inequality is minor, including during the period when procyclicality of income inequality was pronounced. Using a two-sector dynamic general equilibrium model with attached labor inputs, we show that labor market flexibility is central to the dynamics of income inequality after monetary policy shocks. We also use the micro-level data on households' balance sheets and show that distributions of households' financial assets and liabilities do not play a significant role in the distributional effects of monetary policy.